

JANUARY 1977

Nation's Business

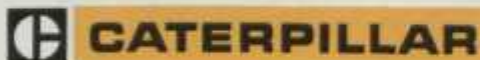


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—WHAT LIES
AHEAD

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Nation's Business

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The legend continues...

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Announcing an important new design from Mercedes-Benz. Sleek. Lean. With nimble handling. Ample space for five adults. Dozens of ingenious safety provisions. And fuel-injected power plants. The new Mercedes-Benz: Engineered like no other car in the world.

The new Mercedes-Benz required a full eight years to perfect. That may seem an almost leisurely pace.

However, when you come to understand the importance of this new Mercedes-Benz design, and the significance of its many engineering innovations, you'll see that it couldn't have been produced any faster.

New suspension

The design concept of the new Mercedes-Benz represents an exquisite balance among the needs for occupant protection, refined handling characteristics, and driver comfort. Maximizing each of these qualities required particular engineering finesse.

Perhaps the major achievement is the new front suspension. It is a simplified and strengthened front-end construction, buttressed with special gas-pressurized shock absorbers. It helps

Three distinctive models. Each one is fuel injected.
One of them will meet your precise driving requirements.

240D

- Engine Type—Diesel, 4-cylinder, fuel injection, overhead camshaft, 5 main bearings
- Displacement—146.7 cu. in.
- Fuel/Fuel System—Diesel #2, mechanical fuel injection
- Manual Transmission—4-speed, fully synchronized
- Curb Weight—3210 lbs.
- Overall Height—56.6"
- Overall Length—190.9"
- Turning Circle—37'
- Trunk Capacity—17.7 cu. ft.
- Passengers—5
- Wheelbase—110"

300D

- Engine Type—Diesel, 5-cylinder, fuel injection, overhead camshaft, 6 main bearings
- Displacement—183.4 cu. in.
- Fuel/Fuel System—Diesel #2, mechanical fuel injection
- Automatic Transmission—4-speed, torque converter
- Curb Weight—3515 lbs.
- Overall Height—56.6"
- Overall Length—190.9"
- Turning Circle—37'
- Trunk Capacity—17.7 cu. ft.
- Passengers—5
- Wheelbase—110"

280E

- Engine Type—6-cylinder, continuous fuel injection, double overhead camshafts, 7 main bearings
- Displacement—167.6 cu. in.
- Breakerless, transistorized ignition system
- Automatic Transmission—4-speed, torque converter
- Curb Weight—3530 lbs.
- Overall Height—56.6"
- Overall Length—190.9"
- Turning Circle—37'
- Trunk Capacity—17.7 cu. ft.
- Passengers—5
- Wheelbase—110"

the new Mercedes-Benz deliver precise steering with instant response, virtually no lean in braking or cornering—and straight-line control on even the roughest roads. What's more, the lubricated-for-life ball joints are completely maintenance free.

There are dual-circuit power disc

brakes on all four wheels—just as there have been on all Mercedes-Benz automobiles since 1968.

The look of the future

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singular new achievement.

Slightly wider. Clean-limbed. The new effect is subtle but undeniable.

Inside, there's new luxuriousness, with ample front and rear legroom and headroom. And the trunk offers 17.7 cubic feet of usable space.

A perceptive observer may notice that all the frame members supporting the roof seem more slender than in previous Mercedes-Benz models. Actually, these crucial safety members have been strongly reinforced. And their slim shape contributes to driver visibility. Another visibility aid: a total of 27.3 square feet of tinted glass.

The passenger compartment is a steel shell surrounded by lateral-impact-resistant elements, with crushable safety zones in front and rear.

The front safety zones are now creased for even more precisely defined deformation should an accident occur.

The rear crush path has been lengthened by moving the gas tank forward to a protected position above the rear axle.

And in front, the steering mechanism is positioned well behind the front wheels to protect it in a collision.

The aesthetics of safety

Study the dashboard's well-thought-through details and take pleasure in them. The sense of stark elegance. The intelligent arrangement of switches and controls. The impressively sized steering wheel with a built-in safety chest pad. Anatomically designed seats.

Impact-resistant handles on all doors.

Fore and aft, a new type of energy-absorbing bumper flows smoothly into the car's silhouette.

The new Mercedes-Benz is, quite possibly, a masterpiece. A cursory look will indicate that. But only when you take the wheel will you recognize the significant difference between this and all other cars. Arrange a drive with your authorized Mercedes-Benz Dealer. Then you'll agree: the legend continues.



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in the world.

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Avoiding the Pitfalls of the 1976 Tax Act

Take a hard look at the so-called Tax Reform Act of 1976. In many cases, "reform" means a tax hike.

The law is the most drastic overhaul of the federal tax code since 1954.

"Among the far-reaching changes in the law," says Gerald W. Padwe, "are the changes in estate taxes. On most medium and small estates, taxes are lower, especially if the main asset is a closely held business or farm. But most estates worth more than \$500,000 will be hit harder."

Mr. Padwe is national director of tax services for Touche Ross & Co., New York, one of the nation's largest accounting firms.

Touche Ross has a special 72-page

report on the new tax act which describes all major changes affecting individual taxpayers, corporations, pension funds, and other organizations. Other major accounting firms have prepared similar reports.

Among the estate tax changes the firm notes are:

- A liberalized marital deduction for property left to a wife or husband.

Up to \$250,000 or one half of the adjusted gross estate, whichever is greater, is now tax-free.

- A single, unified tax covering both gifts made during life and transfers of an estate.

The old exemptions—\$60,000 for estates and \$30,000 for lifetime gifts—are being replaced by a credit.

The credit will be \$47,000 in 1981, when it is fully phased in. You can still give up to \$3,000 annually to any donee, free of gift tax.

- A new rule on generation-skipping trusts.

Under the old law, if a parent left property in trust to a child and to a grandchild on the child's death, the estate was taxed only once. The tax was levied when the property was transferred to the trust. The estate passed on to the grandchild tax-free.

For any transfer of property after April 30, 1976, that's no longer true.

"The 1976 tax act is long, highly complex, and technical," says Mr. Padwe. "Few executives aren't touched by it."

"Upper-income taxpayers will need a good guide to escape its pitfalls and snares."

If an Executive Is Disabled

Many families are prepared financially for the death of the breadwinner, but not for his or her disability.

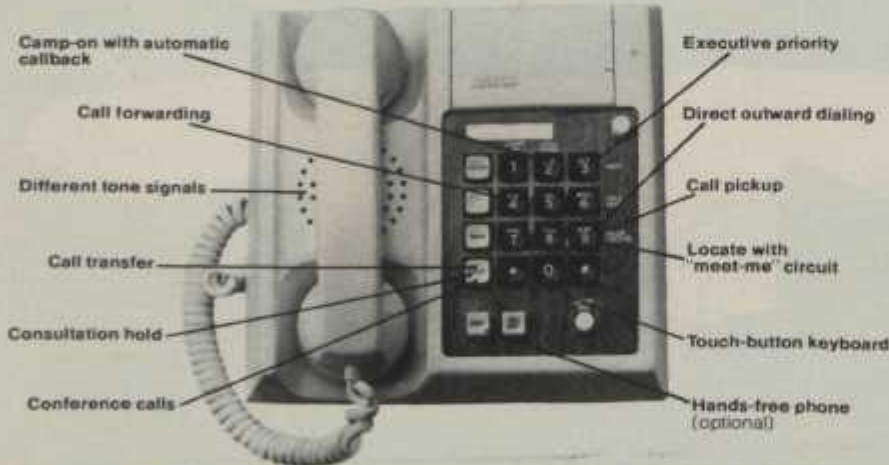
"Too little disability insurance is the most common insurance problem we find with executives," says E. E. Gatewood, Jr., president of Oakland Financial Group, Inc., Charlottesville, Va.

What are your chances of being laid up for at least 90 days between now and age 65, and how long will the disability last?

Here is a table that Oakland Financial Group, financial counselors, has compiled:

Age	Chance of Disability (Percent)	Average Length of Disability
30	4.8	2.5 years
40	4.4	2.7 years
50	3.6	3.0 years
55	3.0	3.2 years

How can you evaluate a policy? The firm says to compare policies of at least three or four sizable com-



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panies, keeping your eye on five major points:

1. Definition of disability. The fewer restrictions the better.
2. Duration of benefits. They should continue at least to 65, lifetime if possible.
3. Waiting period. Choose the longest period you can afford. The longer you must wait for benefits to begin, the lower the rate.
4. Premium. If the premium seems unusually low, examine the contract carefully.
5. Cancellation and renewal. Coverage should be renewable and non-cancellable, at least to age 65.

The Cost of Driving Company Cars

Taxes are one of the main reasons why it is so much more expensive to own and operate company cars.

"Local vehicle taxes and fees," says Runzheimer and Co., business travel consultants, "have increased 505 percent since 1940."

Only insurance costs, the Roches-

ter, Wis., firm adds, have risen more. Insurance is up 705 percent.

In 1976, Runzheimer reports, it cost \$3,384 for a salesman to drive his car 20,000 business miles. Running costs—gasoline, oil, and maintenance—totaled \$1,394. Fixed costs, including insurance, taxes, and depreciation, came to \$1,990.

In 1940, the total expense was only \$750 a year. That broke down to \$422 for running costs and \$328 for fixed costs.

Thus, the average total expense has risen some 351 percent since 1940.

How can a company combat a trend that shows no sign of abating?

One way is to reduce car size, Runzheimer says. A smaller car will result in lower running and fixed costs.

A Handy New Guide for Investing Abroad

American businessmen can expect a mixed reception if they invest overseas.

In the Republic of Ireland (Eire),

for example, "the climate for direct American investment . . . is excellent," says a handy, 115-page handbook published by the Chamber of Commerce of the United States. By contrast, "foreign investment as it is usually understood is nonexistent in the U. S. S. R.," the booklet notes.

This investors' guide gives a capsule description of the trade and investment climate in 133 countries, plus a separate entry for the European Economic Community.

Alphabetically, the contents cover countries from Afghanistan to Zambia. The information was provided by the State Department from reports of American diplomatic posts abroad.

The guide is titled, "The Climate for Investment Abroad." Individual copies: \$3, available from the Chamber of Commerce of the United States, 1615 H Street N. W., Washington, D. C. 20062.

This second annual edition of the guide should be of special value to small and medium-sized companies which do not have their own overseas sources of commercial intelligence.

Making Better Use of Color in Offices

If you want a note of excitement in the board room, do it in red.

Or, for a relaxing effect, try green. But avoid violet. It's depressing.

Those are some of the findings in a survey by United-DeSoto, Inc., a maker of paints and wall coverings for office use.

"Businessmen, like all human beings, are affected by the color of their surroundings," says a United-DeSoto spokesman.

"And so are their employees. For that reason, shades of yellow are used often in business offices today. Yellow creates a cheerful mood. Blue is a favorite, too. It is restful."

Color is useful for more than setting the right psychological tone. For example, it is successfully employed to direct office traffic patterns.

"Follow the striped corridor to the yellow door" or "Take the blue elevator to the third floor" are effective and simple ways to give directions, United-DeSoto points out.

Executives apparently are growing more aware of color's importance.

"You see fewer sterile white walls," United-DeSoto says, "or boring, basic buff."



For more information, contact the Director of Promotion (202) 659-6183, Chamber of Commerce of the United States, 1615 H Street N.W., Washington, D.C. 20062

Weekend Voting in Presidential Elections?

THE PERCENTAGE of eligible voters who cast ballots in presidential elections continues to decline.

Although a record 80 million Americans voted in the 1976 election, they represented only 54 percent of our voting age population.

That percentage was down from 55.4 in 1972, 60.6 in 1968, 61.7 in 1964, and 64 in 1960.

The 1924 election saw the lowest voting percentage—48.9—in the past 100 years, but the overall trend has been downward. In 1876, 81.8 percent of the voting age population went to the polls. The turnout has not been above 80 percent since then, above 70 percent since 1900, or above 60 percent since 1968.

How can citizen participation in the election process be increased? One suggestion is to hold balloting

on weekends. Weekend voting is common in Western European countries, and a far higher percentage of citizens goes to the polls in those nations than in the United States.

Federal law now specifies that presidential voting must take place on the first Tuesday after the first Monday of November.

Advocates of scheduling voting on a weekend argue that holding elections on a regular working day is bound to contribute to relatively low turnouts. Many potential voters, they say, have neither the time nor the inclination to wait in the long lines that form in the early morning and early evening, the peak voting periods on a working day.

Weekend voting, its proponents point out, would give citizens an opportunity to cast their ballots with-

out undue waiting at any time throughout the day. Voting could be scheduled on both Saturday and Sunday or on Saturday only.

Opponents of weekend voting point out that employers have been generous in giving employees time off during working hours if the employees cannot otherwise get to the polls.

The problem of declining voter percentages stems from causes other than the day of the week when polls are open, opponents of a change argue. Involved, they say, are failure to register, apathy about candidates and issues, and sheer laziness. These shortcomings, they add, cannot be cleared up by weekend voting legislation.

Should we have weekend voting in presidential elections? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Should we have weekend voting in presidential elections?

☐ Yes ☐ No

Comments:.....

Name and title.....

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Federal Chartering: "Nightmare" for Business

FEDERAL chartering of corporations? Readers responding to the November invitation to "Sound Off to the Editor" on that question vote no in overwhelming numbers.

The question will be an important one in the 95th Congress that convenes this month. Backers of federal chartering legislation insist that the states, which traditionally have held responsibility for overseeing corporations, are powerless to supervise today's national and international companies.

However, *NATION'S BUSINESS* readers, with few exceptions, feel fed-

including labor, that the end purpose is to eliminate the free market system." Adoption of the proposal, he says, would be "nothing more than a prelude to nationalization."

John P. Campbell, national advertising director of Spokesman Press, Inc., Grundy Center, Iowa, submits one of the rare affirmative responses. He writes: "The power to charter is the power to discipline. How can the state of Delaware adequately supervise or discipline a multinational corporation whose activities affect the whole of our society and which has the power and possibly the temptation to operate against our society's best interest?"

However, Arthur W. Edwards, president of Edwards Machine Co., Inc., Ashland, Va., writes that "the federal government already has too much control over the free enterprise system. To allow the government to control U. S. corporations would play right into the communists' hands."

Ralph P. Houghton, president of American Marine Products, Inc., Ft. Lauderdale, Fla., says: "If the federal government goes much further into regulating business, the country will run out of people willing to risk capital in business ventures."

"The federal bureaucrats are impossible to control now," says Patrick

Arian Investment Corp., Pineville, La., sees federal chartering as unnecessary in view of "the many federal agencies and laws that now regulate large businesses." He says the Tenth Amendment to the Constitution, which reserves to states powers not specifically granted to the central government, "is so often forgotten in the zeal to have the federal government regulate still something more."

"The federal government," says G. T. Arganbright, Jr., president of



Federal charters for multistate corporations are favored by Isaac Kaufman, controller of Merry-Go-Round Enterprises, Towson, Md. He urges uniformity in state requirements for corporations.

eral chartering is unneeded and would be harmful.

"The government would turn chartering into a nightmare for the whole business community," writes John B. Hohenstein III, president of Oglethorpe International, Savannah, Ga. "A labor-minded Congress would have a stranglehold on every company in the country."

"What would federal chartering accomplish?" Scott Keller, president of Transportation Enterprises, Inc., Austin, Texas, asks. He cites the proposal as "a perfect example of adding more bureaucracy onto the federal government and more work onto businessmen."

James D. Larkin, proposals manager at Morrison-Knudsen Co., Inc., Boise, Idaho, notes that the federal chartering proposal originated in the Ralph Nader organization and says that "it should be obvious to all,



Bob Kerr, president of Kerr Paper Co., Amarillo, Texas, says: "There are more than enough laws to supervise business now." He also suggests some federal functions should be given to states and localities.

L. Nex, vice president of Spectrum Information Systems, Inc., Anaheim, Calif. He asks: "Why give them more power to mismanage?"

Bruton T. Dawkins, president of



A federal charter law would bring both bankruptcies and nationalizations of major businesses, says J. R. Keys, chairman of Rader Companies, Inc., Portland, Oregon.

Citizens State Bank, Waterville, Kans., "has made a total mess of everything it touches, from Social Security for the elderly to school programs for youth."

Richard M. Gale, an attorney with the firm of Gale, Gale & Barile, Brattleboro, Vt., says that federal chartering of corporations "would be just one more dangerous step toward monolithic government."

Richard M. Donaldson, vice president for government and public affairs of The Standard Oil Co. (Ohio), puts it this way: "Federal chartering would be like asking a traffic-control policeman to take on responsibility for maintaining a high volume of vehicle sales, keeping an adequate supply of gasoline flowing to those vehicles, and keeping their engines tuned and running. In spite of the best intentions, the end result would be poor sales and vehicles that were either broken down or out of gas." □



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Comments on Dishonesty as a National Problem

James J. Kilpatrick's article, "Dishonesty: A National Sickness" [November], reflects a serious problem that we face.

There are two aspects to the problem. One is the increase in such violent crimes as murder, assault, rape, and robbery. The other is an increase in laws that make alleged criminals out of individuals who are trying to retain what is rightfully theirs.

Mr. Kilpatrick mistakenly combines those two categories when he talks about dishonesty.

It is dishonest when someone deprives another of what is rightfully his. It is not dishonest when one tries to keep what he has earned.

The real criminals are those in government who file a claim on others' earnings and extract money from them through taxation and with the threat of punishment for nonpayment.

Also real criminals are those who go on welfare, those who take food stamps, and government workers who do not earn their salaries.

The only way the problem of dishonesty will be solved is to establish the correct concept of property rights by reducing drastically government interference in the lives of individuals.

GEORGE A. CHAPMAN
President
Chapman Co.
Salt Lake City, Utah

The gradual deterioration in moral fiber is the result of decreasing pressure from fellow citizens. I was raised in a community of 100 residents. Everyone knew everyone else. You realized that if you misbehaved, you would be identified and ostracized to an extent befitting the deed. So you behaved.

Now, I am lost in the crowd and no one cares. Increasing population and increasing urbanization make it easier to be anonymous.

Fear of embarrassment tends to keep people in line. But there no longer seems to be any chastisement

from parents, fellow employees, fellow church members, schoolmasters, fraternity brothers, etc.

How many times have you taken someone to task lately for misbehaving?

WALTER H. MUELLER
Indianapolis, Ind.

The last time I wrote a letter to an editor was in 1968. However, after reading Mr. Kilpatrick's article, I had to express my gratitude for a lucid description of what indeed appears to have become a national sickness.

He poses the question: What do we do about the pervasive dishonesty in this country? I believe we must start with reasonable and swift dispensation of justice at all levels of our society. The emphasis must be on reasonableness, because what is fair to one may not be fair to another. But something can certainly be reasonable to everyone.

HELMUT KNIPP
General Manager
The Statler Hilton
Washington, D. C.

As a Marine Corps veteran of the Korean conflict, let me say that I can think of no better cause that I could die for now than an effort aimed at getting this great country back on the right track of truth, honesty, and the American way.

RAYMOND E. ALBRIGHT
Newport, Pa.

Cost of ending the draft

Re your article, "Why Soaring Public Worker Pensions Threaten You" [November].

Congress abandoned the draft and adopted the all-volunteer concept for our military services for the sole purpose of placating the public in the wake of the Viet Nam war. Realizing that pay scales competitive with the private sector were needed to attract volunteers, Congress made extremely large increases in military pay levels.

Now, the military budget is distorted by the amount of funds that must go to personnel costs. Because

pay levels determine retirement benefits, we will have hundreds of thousands of career military personnel retiring in future years with pensions which dwarf the meager pay given military retirees of my vintage.

FRANK A. LONG
Dallas, Texas

Sounding the trumpet

Modest-size businesses can learn much from industry leaders on how to preserve our economic system.

A case in point is the work of George M. Clark, chairman of Pioneer Bank, of Chattanooga, Tenn., as reported in the item, "Speaking Up for the Free Enterprise System." The item appeared in "Panorama of the Nation's Business" [October].

The case history of Mr. Clark's success in boosting the American profit system is outstanding. We have requested copies of Pioneer Bank's promotional program and the programs of other companies cited in the item—Phillips Petroleum, Mobil Oil, and Allied Chemical.

I sincerely trust that your publication will continue to sound the trumpet for free enterprise.

HOWARD BERNSTEIN
President
Atlas Lift Truck Rentals & Sales, Inc.
Schiller Park, Ill.

Mansfield's education

I am sure your readers enjoyed the article about former Senate Majority Leader Mike Mansfield, "A Washington Insider's View of the Future" [November]. It was a good portrait of the man.

May I correct one point, however. Sen. Mansfield survived his first year of college at the Montana School of Mines, now the Montana College of Mineral Science and Technology, and not at Montana State University as stated in the article.

FRED W. DEMONEY
President
Montana College of Mineral
Science and Technology
Butte, Mont.



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Business and the **New Congress** —What Lies Ahead

"In an election so close, claims come in from all directions about who put a candidate over. Certainly, the labor movement can stake its claim with great justification, perhaps more than any organization or group of voters. . . . It is to the thousands and thousands of volunteers who make the COPE program go that Jimmy Carter and Walter Mondale . . . can look when they analyze the elements of their victory."

—Election analysis by the AFL-CIO's
Committee on Political Education

"Our country [needs] to make a new beginning in business-government relations on the basis of a fundamental decision as to the future role of the private sector. I therefore propose that the President initiate a series of thoughtful, low-key discussions in the White House . . . with key members of the Congress and of regulatory agencies and representative business leaders. . . . What I am suggesting is . . . a calm and constructive dialogue aimed at formulating rational and comprehensive national policies. . . ."

—Rawleigh Warner, Jr., chairman of
Mobil Corp., in an address to a
Northwestern University conference
on business-government relations

THESE two quotations from diverse sources help explain why the business community is awaiting the advent of the Carter administration with some uneasiness.

The big questions, from the business point of view, are:

Will the undeniably important political support that the AFL-CIO gave President-elect Carter work significantly to the advantage of orga-

nized labor in the new administration's decisions about legislation?

Will he go slow?

Or will the new President go slow in implementing features of the Democratic national platform and his own campaign rhetoric that have raised concern in the business community?

The answers to these questions lie

in the relationship that develops between Jimmy Carter and the heavy majorities that his own party has in Congress.

One disturbing possibility for business:

A close working alliance involving the Carter administration, the congressional majorities, and organized labor.

AFL-CIO leaders and various other liberal blocs that rallied behind Mr. Carter are hoping that such an alliance will develop. However, some longtime business leaders on the Washington scene think there are grounds for optimism that this will not be the case. These business leaders anticipate a continuing shift in relations between the administration, Congress, and organized labor, depending on the particular issue involved.

Factors affecting Washington's impact on business in the new administration will include, of course, the nature of the legislative issues that will be coming up for action.

Other important factors will be the makeup and leadership of Congress and its key committees, Mr. Carter's own background, and whether the new administration will welcome business offers to help develop the rational and comprehensive national

Two Senators Will Provide a Tip-Off

You too can be an instant analyst of how well President-elect Carter is going to get along with the Democratic congressional power structure.

Old hands in Washington recommend this technique for obtaining an early appraisal of White House-Congress relations.

Watch Russell Long (D.-La.), chairman of the Senate Finance Committee, and Herman Talmadge (D.-Ga.), chairman of the Senate Agriculture Committee.

If they work closely with the new President, yielding or compromising when necessary to help Mr. Carter get off to a good start, chances are that the rest of the Democratic power structure in Congress will do the same.

But if Senators Long and Talmadge appear more likely to assert their own views and authority—even if this means a public quarrel with the first member of their party in the White House in eight years—Mr. Carter could be headed for serious trouble.

Senators Long and Talmadge, the experts explain, are good bellwethers because they are southern Democrats who would be natural allies of the first deep South candidate to win the presidency in 128 years. At the same time, the experts say, Senators Long and Talmadge are important figures in their own right who would not necessarily let regional loyalties sway their judgment. Both are senior senators who command wide respect from their colleagues.

economic policies to which Mobil Corp.'s Chairman Warner refers.

Here is a closer look at some of these factors.

THE ISSUES

More than 90 major business issues await action in the 95th Congress. They cover such areas as:

- Tax policy and other economic-stimulation moves.
- National economic planning.
- Wage-price controls.
- National health insurance.
- Energy policy, including environmental restrictions.
- Federal chartering of corporations.
- Zero-base budgeting and other fiscal restraints. [See "Jimmy Carter Tells Why He Will Use Zero-Base Budgeting," page 24.]
- A proposed breakup of major oil-producing companies.
- Double taxation of corporate earnings.
- Federal paperwork.
- Establishment of a Consumer Protection Agency.
- Social Security financing.
- The minimum wage.
- Workmen's compensation.
- Unemployment compensation.

• The Occupational Safety and Health Administration.

• Welfare reform.

• Common-situs picketing, repeal of right-to-work laws, and collective bargaining rights for government workers.

• Land-use controls.

• Restrictions on packaging of products.

• The broad field of reorganization of the federal government.

New burdens for business

In most of these areas, Congress will be dealing with legislative proposals that would impose new costs or controls on business and would look to the government rather than the private sector to solve problems.

Given high priority in the early days of the new administration and the 95th Congress will be proposals to ease unemployment through stepped-up federal spending. A focal point for debate will be the Humphrey-Hawkins bill, proposing government measures that supposedly would reduce the adult unemployment rate to three percent.

Business is concerned about the inflationary aspects of sharply increased government spending to fund jobs. An even more serious concern

is the Humphrey-Hawkins bill provision for establishing a national economic planning apparatus. Many business leaders believe this apparatus would foreshadow government domination of most decisions by the private sector.

Other controversy over stimulating the economy will center on the classic issue of whether the best approach is through government or the private sector.

One side advocates pumping money into the economy and, hopefully, building job-creating consumer demand that way. Business believes a more permanent solution to the unemployment problem lies in government policies that encourage private investment.

The energy dilemma

The extent to which the private sector should be allowed to assume responsibility for resolving a major national problem will also be a matter of intense debate when Congress takes up energy legislation. An important consideration here will be price controls on oil and natural gas and the impact of environmental restraints on utilization of domestic energy sources.

While economic and energy issues are expected to be among the first

Tax Law: More

Shortly after the 93rd Congress convened four years ago, the House Ways and Means Committee opened hearings on a wide range of legislative proposals under the catchall heading of tax reform.

That legislation was given varying degrees of attention in 1973 and 1974, was carried over to the 94th Congress in 1975, and was worked on through that year and most of 1976.

Finally, a bill making the most extensive changes since 1954 in federal taxing practice was passed. President Ford signed the measure into law last Oct. 4.

The bill runs 1,730 pages, is 2½ inches thick, and weighs more than five pounds. Every business and individual taxpayer is affected by its provisions.

Now, as the 95th Congress gets under way, tax revision again is on the agenda.

Major legislation before Congress this year will include the new President's recommendations for tax measures to help stimulate the economy. Also up for action will be renewed business pleas for tax action to encourage capital formation.

Calls for simplification of tax forms will also be heard anew in Congress. One measure of the likeli-

hood of success of such efforts: When Donald C. Alexander took over as internal revenue commissioner in 1973, he began a major campaign to simplify tax forms.

As he prepared to leave that office recently, he reported to taxpayers that the 1976 reform law had made income tax forms 1040 and 1040A even more complicated.

Tax experts in private business are not too optimistic that Congress will act in the near future to make tax forms easier to fill out.

Robert E. Hanson, director of tax practice for Arthur Young & Co., a prominent certified public accounting firm, says effective tax simplification "would take a total commitment from the President of the United States."

Such support from the top has not been forthcoming, he adds.

On a more optimistic note, Mr. Hanson sees a chance of some improvement in tax policy to encourage capital formation. Specifically, he says there is a possibility that Congress will make a change in the double taxation of dividends—a situation in which corporate earnings are taxed both as

major areas of consideration in Congress, other matters with a heavy potential impact on business will not be far behind.

CONGRESS

The Democrats will control the House of Representatives 292-143 and the Senate 62-38. Analysts from business figure that 158 representatives can be classified as business-oriented, 221 members as not business-oriented, and 56 as somewhere in between.

Overall, those figures would mean an equal division in the House between business-oriented and marginal members on one side, and those not considered sympathetic to business on the other.

In the Senate, the breakdown is 33 business-oriented members, 52 not business-oriented, and 15 marginal.

Another way to gauge sentiment about business in Congress is the victory-loss ratio of labor and business organizations in supporting candidates for election to the House and Senate.

The AFL-CIO can cite victories by 19 of the 28 Senate candidates that the labor organization endorsed and 258 of the 362 House candidates it supported—a victory ratio of 67 percent in the Senate and 71 percent in the House.

The Business-Industry Political Action Committee, which supports candidates whom it feels "recognize the need to be fiscally responsible about spending the taxpayers' money," endorsed 18 Senate candidates, and ten won, for a 55.5 percent success rate. In House contests, BIPAC supported 105 candidates, and 45 won, a 43 percent victory margin.

More support in Senate?

On balance, corporate, association, and other business representatives who deal with Congress see little change in the House as far as pro-business and antibusiness attitudes are concerned. These experts also believe that business support in the Senate may have improved slightly.

There will be 18 new senators, an unusually large number in a body of

100, and 67 new members of the House, well under the turnover of the post-Watergate election of 1974.

Not only will this month see the arrival of a new administration and a new Congress, but a massive change in congressional leadership. In the Senate, there will be new majority, deputy majority, minority, and deputy minority leaders. In the House, there will be a new speaker, Thomas P. O'Neill, Jr. (D.-Mass.); majority leader, Jim Wright (D.-Texas); and majority whip.

Senate Majority Leader Mike Mansfield (D.-Mont.), Senate Minority Leader Hugh Scott (R.-Pa.), and Speaker of the House Carl Albert (D.-Okla.) all retired at the end of the 94th Congress, opening the way for various subleaders to move up and for newcomers to get on the leadership escalator.

House Minority Leader John Rhodes (R.-Ariz.) is the only hold-over from the top leadership of the 94th Congress. Rep. Rhodes and the new Senate minority leader will emerge as the principal Republican

Changes Are Due

income to the business and again as income to shareholders.

He also sees a need to make the investment tax credit permanent at a level of at least ten percent. Under present law, the credit is scheduled to return to seven percent in 1980. "It would be chaotic for business if that were allowed to happen," Mr. Hanson says.

While waiting to see what Congress does in the tax area this year, tax specialists have their hands full helping clients comply with the extensive changes brought about by the 1976 tax law.

In a summary, Mr. Hanson points out that the law:

- Extends the 1975 tax reductions for corporations and individuals.
- Adopts significant provisions limiting benefits from tax shelters and deductions of certain expenditures related to investments.
- Permits more taxpayers to benefit from the retirement income credit, alimony deductions, and child care expenses.
- Makes major changes in taxation of estates and gifts.

- Extends the holding period required for capital gains and liberalizes the deduction for capital losses.

- Expands deductions for moving expenses, but substantially curtails those related to rental of vacation homes and home office expenses.

- Liberalizes the investment credit and the utilization of operating losses in future years, but limits the transferability of net operating losses.

- Makes significant changes in tax provisions governing companies doing business overseas.

Noting that one declared purpose of the 1976 law was to make taxes more equitable, Mr. Hanson says: "If making the income tax more equitable at all levels means to tax the wealthy to a greater degree than those less wealthy, it does achieve this."

As for continuing complaints from some members of Congress that too many wealthy individuals are not taxed heavily enough, Mr. Hanson points to recent studies. The studies show, he says, that "if the government confiscated 100 percent of the entire taxable income of individuals making more than \$32,000 a year, total federal revenues would be increased by only three percent."

"spokesmen in the capital on both government and political affairs.

Congressional changes of importance to business will occur in committee chairmanships.

While the strict seniority rule no longer applies on appointment of committee chairmen, there have been no signs of a repetition of the revolt that toppled three veteran chairmen from House committees two years ago. Chairmanships in both houses are expected to go to senior members without much opposition this time.

There are vacancies in the top spots on the House Small Business, Budget, Merchant Marine, Interior, Post Office, and Public Works committees.

Before the Senate takes up committee assignments, members of that body must first deal with a sweeping proposal to reduce the present 31 Senate committees to 15. The change would also limit senators to an average of eight committee and subcommittee assignments, compared with the current average of 18 such assignments.

Prospects of adoption for the committee reorganization plan are uncertain, since the plan would involve abolition of 16 highly prized chairmanships and a far greater number of subcommittee chairmanships.

If the reorganization plan fails, there will be new chairmen for the present Senate Committee on Aeronautical and Space Sciences plus the Post Office and Civil Service Committee.

New committee members

The Senate Commerce Committee, which handles much major business legislation, will get seven new members, a heavy influx into a panel with a total membership of 19. The Senate Judiciary Committee, which has responsibilities including antitrust, monopoly, patent, trademark, and copyright laws, as well as constitutional law and criminal justice matters, will have five new members added to nine holdovers.

Only four new members will be joining 17 holdovers on the Senate Finance Committee, a group whose

tax-writing powers give it special importance for business. The liberal-conservative balance there is one which business leaders watch closely.

There are also vacancies in the ranks of most House committees.

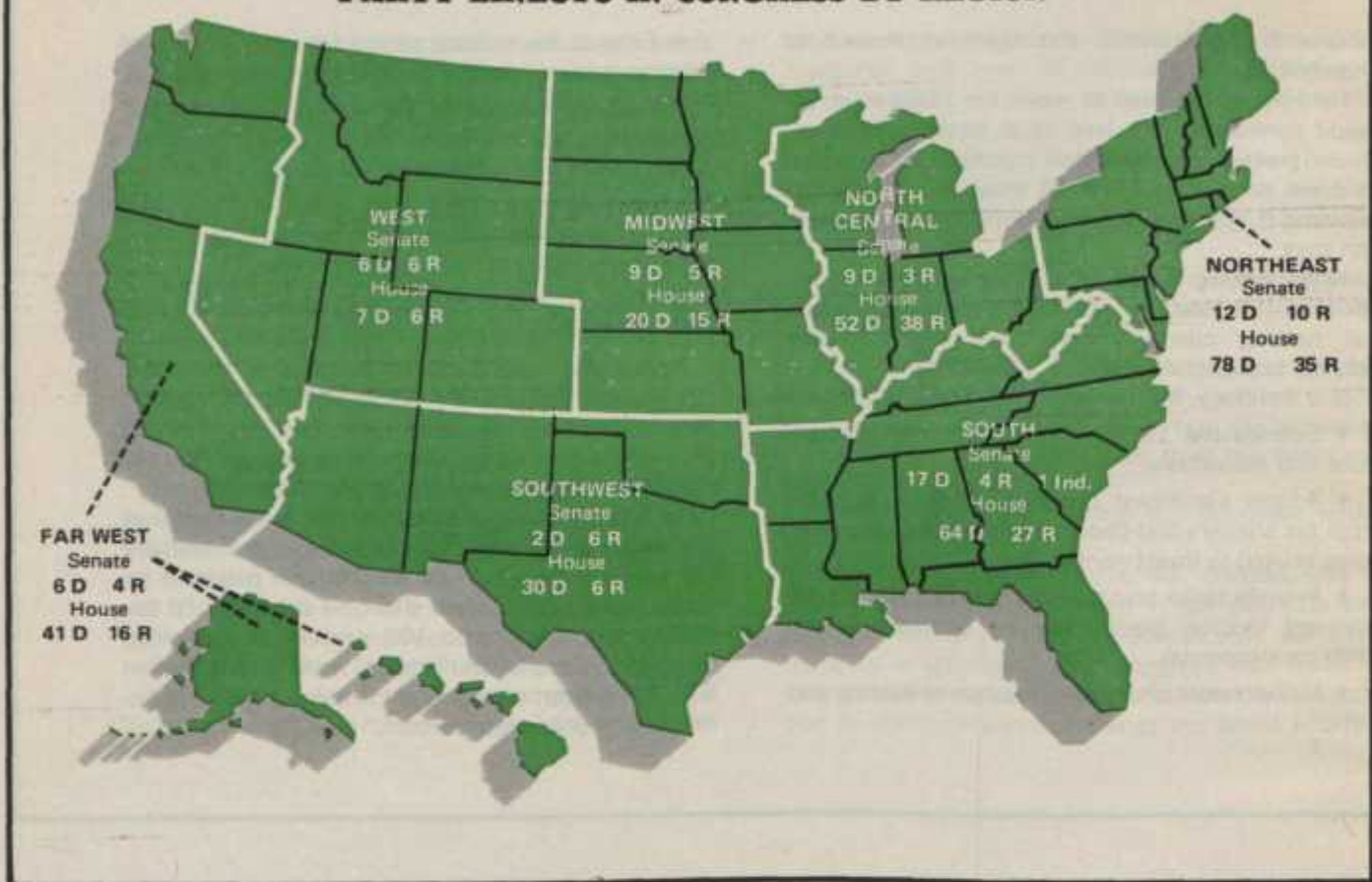
Although the number of new members on these committees may be large, such changes are not as significant as they might be in the Senate because House committees are much larger than Senate committees. For example, the ten vacancies on the House Science and Technology Committee are the most on any congressional committee, but that panel also has 27 holdovers. Likewise, there are eight vacancies on the tax-writing House Ways and Means Committee, but 29 holdovers.

PRESIDENT-ELECT CARTER

Experts on business-government relations in Washington believe it is highly questionable that Jimmy Carter's election necessarily means a rapid-fire string of labor victories in legislative battles.

"While it is true that Carter ran

PARTY LINEUPS IN CONGRESS BY REGION



on a strongly pro-labor Democratic platform and had all-out labor backing, you can't just assume that gives AFL-CIO President George Meany a blank check on political favors," one veteran says. "President-elect Carter's own background comes into the equation in a very positive way, and there very well might be strong conflicts between the new administration and labor."

For example: A top-priority goal of organized labor is repeal of Section 14 (b) of the Taft-Hartley Labor Act, passed in 1947. This part of Taft-Hartley is the right-to-work section, which enables states to pass laws prohibiting labor-management contracts that require union membership as a condition of employment.

At labor's insistence, the Democratic platform pledged repeal of Section 14 (b). In a careful bit of hedging, Gov. Carter said he would sign repeal legislation—if Congress passed such a bill. He made no pledge to make repeal part of his own

legislative proposals to Congress or to fight for the labor goal. So how committed is Mr. Carter to repeal?

Of 20 states that have enacted right-to-work laws under terms of Section 14 (b), ten are in the South, Gov. Carter's home ground and the electoral foundation of his presidential victory. Right-to-work laws in these states have strong support from public officials and the population in general.

Would Mr. Carter want a bitter confrontation, at the start of his presidency, with fellow southerners in Congress and the state capitals? Some observers think not.

Action vs. words

Similar influences may be felt on other legislation. Says one close student of national governmental affairs:

"Jimmy Carter, the Democratic candidate who ran on a liberal, pro-labor platform, paid all the proper respects to George Meany and said many of the things that the liberals

and the labor unions wanted to hear.

"Now, however, he is President Carter, whose job is not to court political power blocs but to gain a broad base of support for policies affecting the whole country.

"Things look a lot different from the Oval Office than they do from the political stump."

Congressional pride also may be an important factor in how Mr. Carter fares in Washington.

Mr. Carter said shortly after his election that when he took office, he would have a timetable setting priorities for moving on such issues as energy, tax reform, welfare reform, health care, and government reorganization.

His legislative proposals will go, however, to a Congress that in recent years has forcefully reasserted its role as an equal branch of government with its own ideas and own timetable.

That could make a big difference. □



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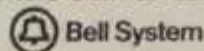
Back then, Sather salesmen called on every account in person. And afterwards, Sather delivery trucks called on the same accounts with the baked goods. It amounted to two visits per sale, and grossed the company about \$2 million a year.

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Increased mileage. Each of this new generation of Cadillacs—the Fleetwood Brougham, Coupe deVille and Sedan deVille—provides better mileage than its 1976 counterpart.

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A superb ride...and more. Luxury takes on a new dimension in Cadillac 1977. We gave it great new lines. Clean. Crisp. Sculptured. We built in extensive measures to help fight corrosion. Gave it a superb ride. With a new front suspension system and match mounting of tires and wheels for rolling smoothness. In short, we built the next generation of the luxury car.

How we did it.

Basically, we built on success. Retaining what you like about Cadillac—the comfort, luxury, security and roominess

—and adding to it. By using many of the design concepts of Seville and by taking full advantage of the most advanced automotive technology.

Advanced engineering. The computer played an important role—performing in minutes what once required months.

What it means to you.

Greater fuel economy. The 1977 Fleetwood Brougham, Coupe deVille and Sedan deVille are designed to conserve fuel. In 1977 EPA mileage tests, Cadillac was estimated at 14 miles per gallon city and 18 mpg highway. (In California, EPA figures are lower.) Your mileage could vary depending upon the type of driving you do, your driving habits, your car's condition and available equipment.

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A ride you won't believe... until you take a test drive. Your Cadillac dealer would be happy to arrange it. Then you'll discover why we call it the next generation of the luxury car.

And for a different kind of luxury... you might consider the newly refined, international-size Seville by Cadillac or the sporty 1977 Eldorado with front-wheel drive.





Fleetwood Brougham



Coupe deVille



Sedan deVille

Jimmy Carter Tells Why He Will Use **Zero- Base Budgeting**

BY PRESIDENT-ELECT JIMMY CARTER

WHEN I BECAME governor of Georgia in 1970, one of my first jobs was to finalize the budget for the coming year. The departmental funding requests amounted to more than half again as much money as would be available. No one had made any attempt to arrange the requests in any sort of priority.

I saw the need for a budgeting technique in Georgia which I now see as needed for the federal government.

That technique is zero-base budgeting.

Immediately after my inauguration, I will require zero-base budgeting for all federal departments, bureaus, and boards by executive order.

Zero-base budgeting is well-known to many business people [see "One Way to Erase Needless Government Programs," *NATION'S BUSINESS*, November, 1976]. Some 300 businesses and a dozen state governments are now utilizing the concept. However, allow me to define it for you.

Back to the beginning

In contrast to the traditional budgeting approach of incrementing the new on the old, zero-base budgeting demands a total rejustification of everything from zero. It means chopping up the organization into individual functions and analyzing each an-

nually, regardless of whether it is 50 years old or a brand-new proposal for a future program.

The budget is broken into units called decision packages, prepared by managers at each level. These packages cover every existing or proposed activity of each department. They include analyses of purposes, costs, measures of performance and benefits, alternative courses of action, and consequences of disapproval.

Packages are also ranked in order of priority. After several discussions between department heads and the chief executive, the rankings are finalized, and packages up to the level of affordability are approved and funded. In the case of the federal government, of course, final approval would be up to Congress.

Zero-base budgeting has had a rather long gestation period and a brief infancy. It draws on a number of innovative techniques developed in the early 1960's in systems analysis, problem-solving, cost-benefit analysis, and program management. Budgeting applications of these disciplines were being developed and employed in various staff functions at several major companies.

Since then, dozens of public and private organizations have applied the technique, and the roster of its disciples has continued to grow. Each has shared



PHOTO: DENNIS BRACE—GLACE STAR

a need to plan and allocate resources more rationally.

As the new governor of Georgia, I quickly moved to implement zero-base budgeting by executive order. Major benefits for the taxpayer resulted. For example:

- Previously, every major department had its own computer system. Through zero-base budgeting, we created one central computer system.
- We merged 43 print shops into one.
- Georgia patrolmen—expensively trained, uniformed, and provided individually with automobiles—often were assigned to administrative chores or radio dispatching. Through zero-base budgeting, we moved almost 100 of these troopers out to patrol the highways and replaced them with handicapped Georgians trained by vocational rehabilitation. The many benefits are obvious.

Big reduction in costs

These and other achievements resulted in a 50 percent reduction in administrative costs. I see no reason why benefits of the same magnitude can't be captured in the federal government.

There was, of course, intense opposition to zero-base budgeting from bureaucrats who thrived on confusion, from special interests that preferred to

work in the dark, and from a few legislative leaders who did not want to see their fiefdoms endangered. But with forceful leadership and persuasiveness by our key men, the new approach was widely accepted. That acceptance was accompanied by gratitude that the state's resources were being allocated openly, decently, and free of political intrigue.

No instant miracles

I don't want to mislead you and leave the impression that implementing zero-base budgeting will create instant miracles in the federal government. In Georgia, its impact during my incumbency was quite subtle, but nevertheless real, in making basic changes in our government's operation. No doubt it will continue to generate improvements in the years ahead.

Many seasoned executives have raised specific and sometimes well-intentioned concerns about zero-base budgeting. Here are some of the most frequent ones and how I and others have handled them.

1. *Zero-base budgeting is threatening. Therefore, budget submissions will be less than candid.* This challenge is not unique to zero-base budgeting. I know of few managers who enjoy completely open

and frank discussions during the budget cycle. Reluctant participants should be approached with a dialogue that focuses on what the process can do for them rather than to them. For unlike traditional approaches, zero-base budgeting offers them a genuine opportunity to increase their resources where they can demonstrate greater effectiveness or need.

2. Administration and communications become more complicated as more people become involved. In its formative years, this concern was probably valid. It is less so now that procedures and forms have been refined and tested, and a substantial number of planning executives have gained experience in the technique. But in a more fundamental sense, I have found that the best ideas for improvement have often come from the rank and file who know their operations intimately and are seriously committed to improving them. Zero-base budgeting can provide these people a channel of communications for their day in court, notwithstanding administrative difficulties. The trade-off is worth it.

3. Zero-base budgeting requires more time. That may be true during the learning process, but my own experience suggests that, after a year or so, the time required for budgeting is substantially lessened, often by as much as a third. More importantly, the quality of budget requests improves dramatically.

4. Zero-base budgeting forces decision-making. Forcing decision-making is one of zero-base budgeting's greatest strengths and an obviously healthy one for a government or other organization that uses the technique. But since forced decision-making can be a bitter pill at times, a carefully devised implementation plan, worked out well in advance and rigorously adhered to, can minimize this risk. In Georgia, we further minimized this risk by amending the state constitution to permit payment of incentive awards amounting to up to ten percent of first-year savings. These payments were to reward those employees who made cost-saving suggestions.

5. Large volumes of decision packages place an unmanageable burden on the budget staff. In Georgia, we managed this problem with a computer routine. Each decision package was assigned a code number to describe the kind of service being delivered, thus enabling us to detect duplication automatically. Among other things, this allowed us to identify seven agencies responsible for the education of deaf children and 22 responsible for the utilization of water resources. Even if we could claim no benefits from zero-base budgeting in the first year (which we could), the technique provided us with a massive data base that was a critical information source for a major reorganization.

From my experience in government as well as the experiences of corporations in the business world, a number of clear-cut benefits from an effective zero-base budgeting effort can be cited. These benefits include:

- Focusing the management process on analysis and decision-making rather than simply on numbers—in other words, the what, why, and how issues as well as how much.

- Combining planning, budgeting, and operational decision-making into one process.

- Forcing managers to evaluate in detail the cost-effectiveness of their operations. This includes specific programs—both new and old—all of which are clearly identified rather than functionally buried.

- Providing a system to trade off between long term and short-term needs during the budgeting period, as well as a follow-up tool on cost and performance during the year.

- Allowing for quick budget adjustments or resource shifts during the year, if necessary when revenue falls short. In so doing, zero-base budgeting offers the capability to quickly and rationally modify goals and expectations to correspond to a realistic and affordable plan of operation.

- Identifying similar functions among different departments for comparison and evaluation.

- And most important to me, broadly expanding management participation and training in the planning, budgeting, and decision-making process.

A need at the top

Zero-base budgeting procedures are one of the best tools for ensuring constant reassessment of staff programs, new as well as old. But no system will work unless those at the top understand the workings of a large bureaucracy, are willing to work long hours to find out what is really going on, and have the political courage to make tough decisions.

The best creative energies are needed to work out a zero-base budget. Nothing is sacred; new and innovative techniques must be conceived, assessed, and compared to traditional approaches.

However, zero-base budgeting has proved its value.

In the private sector, misdirected or redundant staff efforts never paid a dividend; provided a meaningful, rewarding job for a competent employee; launched a successful product to specification on time; or satisfied a demanding customer.

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Forecasts for the Carter Years

BY DR. JACK CARLSON

What will the new administration do to stimulate economic growth? What kinds of action will serve your best interests as a businessman? This article will help you understand the significance of future Washington developments

PHOTO: YOSHI SHAMOTO



Dr. Carlson is chief economist and a vice president of the Chamber of Commerce of the United States.

THE 1976 elections may spell bad news for business as well as labor and consumers.

This bad news could come in the form of less personal freedom, greater inflation in 1978 and beyond, and higher unemployment.

The reason for this is not necessarily the election of Jimmy Carter, although the thrust of some of his policies as President may be a factor.

Instead, the blame can be leveled on the emergence of congressional government, a phrase you will be hearing more and more in the months ahead.

By every acceptable yardstick, the new 95th Congress, with its heavy Democratic majorities in both houses, means more government spending and more regulating of the economy. Based on voting records and the campaign commitments of newly elected members, 67 percent of the Senate and 64 percent of the House can be classified as favoring bigger government and more restrictions on business.

Thumbs down on the veto

The impact in this context of having a Democrat in the White House

is that Congress becomes more dominant with the reduced significance of the presidential veto. Gerald Ford exercised the veto repeatedly. During the campaign, Mr. Carter hit hard at the theme that use of the veto is a weakness of government—not a strength as intended by the Constitution—and that he did not wish to emulate his Republican opponent in this regard.

What the Ford vetoing accomplished, of course, was to hold down spending, the creation of new programs, and the imposition of new regulations. Not only did these vetoes restrain Congress, but it can be assumed that even the threat of veto dissuaded the lawmakers, in some instances, from passing legislation that would have damaged the private sector.

More assertive leaders

Another reason for the increased importance of Congress on the Washington scene is that President-elect Carter is on record in favor of giving Congress a larger role in the affairs of the executive branch. He has promised key congressional committee chairmen that they can help select members of his Cabinet and other key officials to a greater extent than has been the case with a number of recent Presidents. He also has promised to clear domestic or foreign policy proposals with congressional leaders to a greater extent than in the past. Although campaign promises are not always the prelude to action,

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they reflect the intent of a new chief executive.

Even without a high degree of cooperation from President-elect Carter, Congress will be more assertive. Both the Senate and House leaderships are being assumed by more aggressive people than Former Senate Majority Leader Mike Mansfield and former Speaker of the House Carl Albert.

Also, Congress has just completed its trial year with a new budget-setting process, a newly established and fully staffed Congressional Budget Office, and new requirements that the President spend all funds appropriated by Congress. This gives Congress greater capability to set overall priorities and levels of spending.

At no time in modern history has Congress been in a position to exert such powerful influence over what have long been regarded as presidential prerogatives.

Congressional government is the game to watch in Washington.

Climate of uncertainty

No one can say for sure what effect all this will have on business and consumer confidence in Congress, in the President, and in the economy generally. Some of the uncertainty that now exists in the private sector is reflected in the slow pace of retail sales and investment in plant and equipment, and in the performance of the stock market for much of the past year. If the new administration and Congress appear and act less threatening, confidence should return and investment and consumption should increase. President-elect Carter's constructive relationship with Federal Reserve Chairman Arthur Burns and his selection of a moderate Secretary of the Treasury and director of the Office of Management and Budget will help.

If confidence improves, economic growth will increase. If confidence does not improve, then economic growth will continue to falter and unemployment will increase. Stronger medicine will be required.

With unemployment above eight percent, the economy growing at a rate of less than four percent, and business plant and equipment underutilized, it is understandable that both the outgoing Ford administration and the incoming Carter administration will recommend additional stimulus.

The Federal Reserve Board has already loosened money supplies and made investing more attractive. Such reliance on relatively more stimulative monetary policy, rather than on fiscal policy, is desirable for encouraging investment.

Both the outgoing and incoming administrations are talking about stimulating the economy to produce a growth rate one percent more rapid than current policies would produce. In this way, unemployment could decrease to seven to 7½ percent by the end of 1977. The range of fiscal stimulus most often considered is \$10 billion to \$25 billion.

However, the stimulus should be higher to offset price increases decreed by the Organization of Petroleum Exporting Countries. For every ten percent increase in oil prices, about \$4 billion is siphoned out of the United States and additional funds are effectively removed from immediate consumption because prices of domestic energy sources also increase. Therefore, economic growth declines

"Congressional government is the game to watch in Washington."

by about one half a percentage point. Also, inflation increases by about one half a percentage point.

It might be mentioned that there is no economic justification for any price increase. Relative export and import prices for OPEC countries have remained practically the same since the last unjustified price increase.

Tax cuts and spending

In discussing how to stimulate the economy, President-elect Carter has indicated that he will consider both a reduction in taxes and increases in spending. If higher spending is forthcoming, it likely will be for public sector jobs, grants to cities, and public works.

Such expenditures take more time to stimulate the economy than a well-designed tax cut. Therefore, if quick

stimulus is required, a tax cut of \$10 billion to \$25 billion is the only practical way. Larger tax cuts were passed in 1964 and 1975 in order to provide such a stimulus.

Most major tax cuts during the past 20 years have been permanent and balanced—tax cuts were given for all income levels and for both individuals and business. Balance is needed even more today. Stimulus is needed to bolster retail sales and thus production and inventory investment. Stimulus is also needed to expand plant and equipment to ensure that tools for workers will be available when needed.

Retiring President Ford, in his last budget message, will likely recommend individual tax reductions by changing the personal exemption, increasing the standard deduction, and/or lowering tax rates.

President-elect Carter may recommend a temporary tax rebate based on 1976 incomes and/or a reduction in withholding rates, with a greater percentage reduction for lower incomes.

A rate reduction for corporations will probably be recommended by President Ford. In any case, Congress and the new administration should encourage investment by increasing depreciation allowances to bring them closer to replacement costs, by raising investment tax credits, and/or by reducing business tax rates.

21 percent of GNP

Permanent tax cuts in 1977 will not prevent President-elect Carter from living up to his pledge of holding government spending and taxing to 21 percent of gross national product, because tax receipts grow about 50 percent faster than income as a result of the graduated tax structure.

However, Mr. Carter will be hard pressed to persuade Congress to limit the growth of government spending to the growth of national income or production. Even if he does realize his goal of restraining growth of government, the federal budget will increase from \$413 billion now to more than \$600 billion within four years. This would represent an increase of about \$2,000 per American worker.

While the federal government struggles to curb its own appetite for spending, it encourages state and local governments to spend faster than

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they would on their own. Most federal grants-in-aid require state and local government matching money. Federal funds now total one fourth, or \$60 billion, of state and local receipts and can be expected to grow during the next four years. State and local governments will have to increase their tax take in order to match federal funds. Because of federal encouragement and other reasons, state and local expenditures will likely increase from about \$260 billion now to about \$425 billion within four years—an increase of about \$1,600 per worker.

Health care and cities

In the health field, the Carter administration will show some restraint in the beginning.

Mr. Carter's proposals for national health insurance are likely to be unveiled before summer. His proposals will no doubt call for modest additional expenditures initially, but the programs involved would probably grow in time to federalization of most of health care. Congress almost certainly will be less modest than the President and expand national health insurance more rapidly. NHI will involve more regulations and controls and thus reduce flexibility and freedom in health care industries.

Even before taking office, Mr. Carter was put on notice by America's economically depressed cities that they would be quickly knocking at his door for help. New York and other major cities expect the Carter administration to be more sympathetic than the Ford White House.

The cities will ask for a more complete federalization of welfare; for expansion of grant-in-aid programs, including a larger revenue sharing program with a greater proportion going to cities; and for the creation of a subsidized Urban Development Bank.

Needs of the cities as indicated by big-city mayors will exceed the growth in the federal budget available for cities if President-elect Carter intends to limit spending to 21 percent of GNP.

Financial accountability of cities and states will become a thornier problem as New York and other cities delay putting their houses in order and become increasingly more dependent on the federal government.

Reform of welfare and social insur-

ance programs will be priority issues confronting the new Congress and President. The first opportunity to act will occur when Congress takes up legislation to continue the food stamp program. A solution to the technical bankruptcy of the Social Security trust fund will have to be devised before the disability program runs out of cash in 1979 and the old age and survivors program runs out of cash in 1981.

A negative income tax will receive serious consideration as a way to replace poorly performing welfare programs.

In the area of tax reform, Mr. Carter is committed to take positive action following his first year in office. But Congress is likely to set its own timetable. Such a congressional timetable may not include major tax reform before 1980. Historically, several years have been required to digest one major tax reform bill before another is enacted.

It will take the Internal Revenue Service at least two or three years to finalize new regulations implementing the 1976 tax law. Corrective legis-

lation will be required to clarify the original legislation. Congress has allowed at least five years to lapse between enactments of tax reform legislation in the past.

Growth of regulation

Federal taxes and spending have escalated rapidly in recent years, but a policy tool of government that has grown even faster has been federal regulation. Regulations are increasingly used in policy, because they are so easy to launch. New regulations do not need new legislation, because existing authorization is written so broadly that nonelected civil servants can design and implement regulations at will. Representative government would be greatly enhanced if non-elected officials were required to clear proposed executive branch regulations with the President or Congress. At a minimum, President-elect Carter should insist that all major new regulations be reviewed by his management staff, the Office of Management and Budget.

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makes the decisions over the use of his property, even though the regulations transfer real decision-making to non-elected civil servants.

Wage-price controls

The most pervasive use of regulations is in the implementation of mandatory wage, price, and rent controls.

Such controls reduce the role of consumers, workers, and businessmen and place the government in a position to allocate resources. The controls centralize market decisions. They result in less freedom for workers, for managers, and—in time—for consumers.

The justification for controls is the alleged actions of large unions and businesses in pushing wages and prices higher than would occur if only small unions and businesses existed. The heavy hand of government supposedly will prevent this from happening.

Campaigner Carter frequently said he would ask for standby authority for mandatory controls and would immediately call for voluntary wage-price agreements when he assumed office. Since the campaign, he has restated a desire for voluntary agreements among business and labor, although he has backed off on standby authority for mandatory controls.

Both organized labor and business are now opposed to controls. They both learned a lesson from the controls imposed by President Nixon from 1971 to 1973, and they lived to regret recommending controls early in 1971. Labor feels wages have fallen behind during the past three years and thus should not be subject to wage ceilings. In some sectors, there is evidence to support this feeling.

Higher profits needed

Business feels that profit margins are too low to finance the tools needed for new workers entering the labor force and to achieve full employment. There is evidence to show that if these goals are to be reached, profits must rise from the current level of about five cents on each dollar of sales to six to seven cents.

If sufficient investment is not forthcoming, it will be very difficult to reduce unemployment below six percent without reigniting double-digit inflationary pressures.

Wage controls undermine collective bargaining. Workers are encouraged

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to ask for high wages which managers are encouraged to grant, thus shifting the responsibility for moderation to government controllers. Price controls encourage businessmen to increase prices to maximum levels so that price ceilings become floors. More inflation can occur than otherwise would—as was the case at times during the period of the Nixon controls.

Rent controls result in a similar experience, with rents being increased to maximum levels. Eventually, price and rent controls discourage investment in equipment and buildings, which causes unemployment rates to be higher than otherwise and consumers to be short of housing, services, and products.

Although President-elect Carter emphasizes voluntary controls, he should recognize that such controls create an incentive to slide into mandatory controls. Those who conform to voluntary arrangements demand controls over those who do not conform until all are under the equal yoke of government.

Mr. Carter's talk of controls is having an unsettling effect on both union and business leaders. Should they take steps now to push for increases to protect themselves against controls that are coming? Unless the new President wants to create an atmosphere leading to mandatory controls, he should talk less about wage, price, and rent controls.

Reauthorization of the wage-price council later this year should be watched to see if new control authority is going to be requested by Mr. Carter and granted by Congress.

Zero-base budgeting

A favorite proposal of the new chief executive is zero-base budgeting, in which every governmental activity is reviewed periodically and must be justified before any additional funds are approved. Mr. Carter will have the authority to put zero-base budgeting into effect in the executive budget process by an executive order, and he can be expected to do so upon entering office. [See "Jimmy Carter Tells Why He Will Use Zero-Base Budgeting," page 24.]

The past five Presidents all attempted to improve governmental decision-making processes. President Eisenhower initiated program budgeting, which showed budgets according to common functions. President Ken-

nedy encouraged cost-effectiveness analysis in the Defense Department. President Johnson adopted planning, programming, and budgeting—a system which sought to show five-year budgets according to objectives and required better analysis. President Nixon accepted management by objectives, which helped place priorities on improving program management. President Ford required inflationary impact statements which encouraged cost-benefit analysis. Following the practice of his predecessors, President-elect Carter realistically proposes to rely on the Office of Management and Budget and the Council of Economic Advisers for management and economic policy recommendations.

Another sign of the power buildup

"If quick stimulus is required, a tax cut of \$10 billion to \$25 billion is the only practical way."

on Capitol Hill, to which I referred earlier, is a proposal before the Joint Economic Committee of Congress to set up a national economic planning organization.

More government control

It would be called the National Growth and Development Commission and would recommend policies affecting both government programs and the private sector. Both the President and Congress would be required or expected to respond to the commission's recommendations. Ten regional organizations would examine federal, state, and local government programs and recommend changes in policy to the new planning body.

Although this proposal may not be adopted quickly, it represents another effort to place the private sector under more government planning control.

Congressional government is taking hold. How much it will dominate the affairs of business, labor, the consumers—in fact, all Americans—depends on the vigilance of all of us. □

Big Government's Needless Interventions

IN AUGUST of 1975, the Federal Trade Commission published a proposed trade rule for the funeral industry. In October of 1976, a House subcommittee filed a report on the matter. The controversy merits a moment of your time. If we are to learn a few lessons in what big government is all about, the story of the funeral homes can provide a useful textbook.

The funeral industry is a substantial industry. Though many of the country's 22,000 funeral homes are quite small (the national average is only 94 funerals per home per year), the industry reported gross receipts in 1974 of \$2.6 billion. It might be supposed, however, that the burial of a local person by a local mortuary in a local graveyard would qualify as intrastate commerce, beyond the reach of federal authority. FTC says not. In FTC's view, funerals "affect" interstate commerce. The trade practices of the funeral homes "are clearly a proper concern of the federal government." Hence the proposed trade rule.

Such rules do not materialize out of the nowhere into the here. They are products of human initiative and human endeavor. In the case of the funeral homes, it appears that at some point early in 1973, an FTC staff attorney, Arthur R. Angel, became interested in the funeral business. The more he thought about it, the more attractive a trade regulation seemed to be. He communicated his enthusiasm to his associates. They spent the next six months reading magazine articles, dissertations, and other material. They interviewed funeral directors. When the staff began looking into the industry, FTC had fewer than a dozen consumer complaints on file. The staff went to work anyhow.

BEFORE THEY were done, FTC had spent \$449,000 over a 20-month period on hearings, paperwork, staff time, printing, and the like. A host of favorable witnesses were rounded up. Under the heading of "public participation," FTC funded seven groups to the tune of \$79,000; another \$2,600 was paid out for their travel expenses. Consumers Union got \$3,980 for a "written analysis of proposed rule." The New York Public Interest Research Group got \$8,300. The Continental Association of Funeral and Memorial Societies got \$18,000. Another \$18,000 was paid to the Consumer Affairs Committee, Americans for Democratic Action, and National Council of Senior Citizens. The California Citizens Action Group got \$15,500. And so forth.

In this fashion, the FTC staff compiled a record to support a final report and recommendation. The staff

study turned out to be curiously shrill and almost contemptuous in its tone. I wrote in a column last year that some animus seemed plainly to be at work in the drafting of charges against the funeral industry; a recent rereading of the staff study confirms that impression. When the time came to draft this study, it was us against them; the funeral directors had become the enemy. It was now imperative that they be whipped into line. The typical funeral director was portrayed as little more than a greedy body snatcher, a vulture preying upon his grief-stricken clients. His purpose, one infers, is to exploit the bereaved family by creating "total and subtle confusion." He wants to "steer" the family into his highest-priced funeral by shaming them into buying a costly casket and charging them for services "they don't really want."

The proposed trade regulation, designed to put an end to these unfair and deceptive practices, can fairly be described as comprehensive. It runs to 20 double-spaced typewritten pages. Funeral directors would be required to provide written itemization of prices, to offer their customers a full price range of caskets, to maintain elaborate records and documents, and to advise their clients what is not required by law in the way of embalming and burial of the dead.

A significant part of the funeral homes' income derives from the sale of caskets. Under the proposed regulation, it would become an unfair trade practice, punishable at law, for any director "to suggest in any manner that the customer's expressed concern about prices, inexpensive services, or merchandise or an expressed desire to save money by the customer is improper, inappropriate, or indicative of a lack of respect or affection for the deceased."

THE FUNERAL DIRECTORS objected strenuously, as you might expect, to the whole idea of federal regulation. They pointed out that the funeral business already is regulated by state boards and commissions under state laws. They did not complain especially about some of the proposed requirements—for example, a requirement that price information be given over the telephone—but they bitterly protested the implied smear against their profession. They took their protests to the House Committee on Small Business, which turned the matter over to a subcommittee on the activities of regulatory agencies. On Oct. 20, the subcommittee filed a report that amounted to stinging criticism of FTC.

In the subcommittee's view, some serious, demon-

strable abuse must exist before federal regulations can be justified. In the matter of the funeral industry, FTC "has not compiled an impressive record." Looking back over a period of five years, the subcommittee noted that ten million persons had died in that period; FTC's complaint file, thanks to extensive publicity, had grown from the original handful to "between 700 and 1,000." Even so, "1,000 complaints in five years is a .0001 level of consumer complaint. This is not only not substantial, it raises questions of even the significance involved."

Turning to the proposed trade rule, the subcommittee found several provisions especially egregious. Among these is the requirement that a funeral director explain to the bereaved family "what is not required." Another rule would require the director "to furnish the customer with a form which suggests the customer 'may want' to visit a competitor of the funeral directors." The subcommittee found these rules "abhorrent to free enterprise and a requirement not imposed upon any other line of business." Such rules "demean any honest, reputable businessman."

"Economic regulations must balance the interests of consumers and business," the subcommittee said. "These clearly do not. The subcommittee feels the promulgation of such rules will set a bad precedent and work to destroy the personal integrity, self-esteem, and community respect of honest, reputable small business men and women."

The subcommittee did not wish its criticism of the proposed rule to be misunderstood as a blanket endorsement of the funeral industry and its practices. "There are abuses," but these abuses, for the most part, "are confined to large metropolitan areas." The subcommittee said it abhors the idea of imposing uniform federal regulations for the entire country when regulations directed at specific abuses in specific geographical areas might solve the problem.

IN SUM: "Considering the local nature of the business, the incidental effect on interstate commerce, and the lack of demonstrable abuse, the subcommittee finds no compelling need for federal regulation of the funeral industry, and concludes that the interests of the public and small business will be better served if the funeral industry is regulated by the states."

Very well. Federal regulation of funeral parlors is not the most monumental topic that might be addressed in this time of political transition. Other issues are more compelling concerns: unemployment, inflation, monetary policy, the control of crime, the unionization of public employees. And beyond the political arena, a host of moral and social problems cry for attention. Yet the FTC approach to the funeral industry is so characteristic of big government in action that it provides an instructive case history of what ails our domestic institutions.

As the House subcommittee discovered, there was never much of a problem to begin with. The FTC

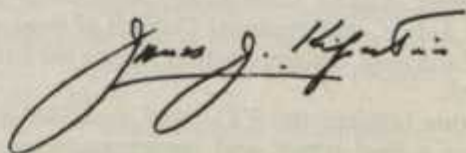
staff, spurred on by a few zealous advocates, magnified the abuses in order to justify their own intervention. In time, the staff became convinced of the rectitude of their position. They sold themselves on the need for regulation. They drummed up favorable witnesses and arranged for these witnesses to be paid for participating in the hearings. They built a case, and they prepared a shrill and partisan brief to support their proposed regulation.

AS ONE Washington observer, I do not question the sincerity or the integrity of the bureaucrats who contrived and promulgated the trade rule. People will believe what they want to believe. FTC people genuinely believe the rule is both necessary and desirable in the public interest.

But such a conviction on their part, no matter how sincerely it may be held, is not necessarily sound and wise. State regulation of the funeral industry doubtless is less than perfect. We may readily agree with consumer spokesmen who insist that many state boards are little more than sweetheart outfits, controlled by the funeral directors themselves. My own argument, in instances such as these, is that it is better to tolerate imperfect state regulation—and to seek through state political action to improve such regulation—than to extend pervasive federal control into one more area of American life.

We get to fundamentals here. If the venerable doctrines of federalism mean anything, they mean that state powers should be varied and extensive, and that national regimentation should be narrowly confined. The power vested in Congress to regulate commerce among the states never was intended to impose upon our society a strangling network of minute regulations. The constitutional grant goes to national controls that are not merely proper but also "necessary." True, as John Marshall observed, the Constitution does not say "absolutely necessary" or "indispensably necessary," but it is a fair reading to insist that some plausible degree of reasonable need for federal intervention must be shown before the intervention can be justified.

THAT IS the trouble with so much of the bureaucratic busywork we see today. FTC labors, struggles, heaves, convulses—and produces an order to a mouthwash manufacturer to mend his deceptive ads. The Consumer Product Safety Commission erupts with a portentous pronouncement—against a defective electric worm probe. The Occupational Safety and Health Administration works and works and works—but never mind. The bureaucrats seize us at the cradle. Within FTC, they would pursue us to the grave.





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Why Government Should Stay Out of Steel Pricing

BY EDWARD D. BICKFORD

A widespread misconception about how prices are set in the steel industry can be costly for the country, this expert writes

STEELMAKING is among the most competitive of all American industries.

There are more than 90 domestic companies. They include such well-known names as U. S. Steel, Bethlehem, National, Republic, Armco, Jones & Laughlin, Inland, Lykes-Youngstown, Wheeling-Pittsburgh, and Kaiser.

In addition, the industry must compete with imports from foreign producers that are either operated directly by home governments or enjoy subsidies and other governmental assistance.

Finally, there is vigorous competition from producers of other materials, particularly aluminum and plastic.

Widespread misconception

Despite these competitive forces within and without the industry, there is a widespread misconception that steel prices are somehow set by big domestic producers without regard to the laws of supply and demand.

Unfortunately, this misconception is held not only by many people in the media and academia, but also by

some officials in the highest reaches of our federal government.

As a result, the government has intervened in steel pricing policies a number of times in recent years—from the historic clash between the industry and President Kennedy in 1962 to the Council on Wage and Price Stability investigation of steel prices ordered last year after President Ford was disturbed by a modest increase which some steel companies had announced.

It is apparent that the Carter administration will likewise lean toward intervention in steel pricing. President-elect Carter and Vice President-elect Mondale have expressed disapproval of a recent six percent increase in sheet steel prices.

Such government interference, which also has included jawboning by Presidents Johnson and Nixon, is based on the theory that government officials with little or no experience in steelmaking are better qualified to determine price policy than individuals who have been in the business all their working lives.

The theory is dead wrong. If market forces are left alone, they determine price levels that work to the

benefit of both the industry and the overall national economy. I have seen this proven repeatedly during my own long experience in the industry, which has included many years as a senior executive responsible for price policies at Bethlehem Steel.

A hindrance, not a help

Let me offer one good example of what government incursions into the private sector can do.

The Arab oil embargo of 1973-74 produced a sudden demand for sharply increased coal production. Opening new mines or reopening old ones required installation of steel plates attached to mine ceilings and walls to prevent them from collapsing. The plates are held up with roof bolts, which Bethlehem makes.

At the time, we were losing money on these bolts because of price controls. But the coal industry was under pressure from the government to increase production, and we were under pressure from the coal industry to supply large quantities of bolts in a hurry. We agreed to expand production of the bolts if a price increase was approved. We applied for an in-



Mr. Bickford is a retired Bethlehem Steel Corp. executive.



PHOTO—BOSTON PFI

crease and were backed by members of Congress from coal-producing states. Given the urgency of the situation and the backing we had, we did not anticipate problems.

We found to our dismay that the red tape involved was virtually insurmountable. The bolts were a relatively insignificant part of our steel production, but it was a case of the old story, "For want of a nail . . . the battle was lost."

After waiting six months for a decision from Washington, we had no choice but to go out of the mine roof bolt business. We were losing too much money. We told the government of our plans—there was no bluff involved. Then, finally, our application for a price increase was approved, and we not only continued but expanded production of roof bolts. The government involvement had done nothing but make the problem worse by delaying that expansion.

How steel is priced

Government either cannot or will not accept the fact that free market forces not only make better decisions for society but make them faster.

This is particularly true in the case of steel.

Any price determination in our free economy has a basic formula: cost plus reasonable profit. This is not so in socialized industries abroad, where the profit motive is practically nonexistent. In such industries, prices will vary enormously in relation to market conditions—there will be substantial premiums in time of tight supply and suicidally low prices in time of excess supply. The primary motivation is employment at any cost. Sooner or later, the taxpayer has to underwrite the losses.

In the American steel industry, the method used in arriving at a mill product base price is fundamentally the same as the methods used in pricing any commodity where severe competition exists. The primary ingredients are:

1. Product cost.
2. Reasonable profit.
3. The market—specifically, demand and anticipated volume as well as location of that volume.
4. The identity and location of domestic competitive manufacturers and your analysis of their costs and capacities. You, of course, review the

extent of imports from foreign plants but, because of their pricing policies and government direction, you cannot always try to match their prices unless you are interested in ultimate bankruptcy.

5. The effect of competitive materials such as plastics and aluminum.

6. The reaction you expect from competitors in your industry and in industries offering substitutes for your product.

7. The reaction of the federal government.

8. Intuition, which is related to extensive experience.

A scientific art

Let there be no misunderstanding—pricing is a scientific art and not the result of off-the-top-of-your-head decision-making.

Once a price has been established and you want either to raise or lower that price, you go through the same analytical exercises. Some of the above eight factors will weigh more heavily than others, depending on the problem and the circumstances.

It is obvious that the most important ingredient is your actual cost. In the steel industry, all major producers have similar contracts with the steelworkers union, and employment represents about 45 percent of total cost. The company that, over a period of time, has poured any available capital into modernization of its equipment—and thereby has confidence that its cost is at least as low as any of its competitors—is in a very strong position when it comes to pricing decisions. Not to keep abreast of fast-changing technological developments could ultimately end up in strangulation.

The steel business of necessity is very complicated to any stranger. It is both labor-intensive and capital-intensive. It starts with minerals in the ground (ore, coal, and limestone) and ends with a wide variety of steel mill products tailor-made for many purposes.

The price control disaster

Experience in any endeavor from sports to politics is a major ingredient of success. Therefore, how can politicians and theorists with no experience whatsoever in steel take it upon themselves to make judgments of great impact on our industry and

yet expect us to remain healthy? If, as they so frequently say, steel is of such great importance to our country's economy, how can they afford for us to be unhealthy? We need enormous amounts of capital, and to get the capital we must be free from government interference.

I can recall that in December, 1951, while in Washington working for the government, I got into a breakfast discussion with an associate and two lawyers from the Office of Price Control that lasted almost two hours. Steel labor negotiations were in process, and the lawyers contended that the steel industry could give labor an increase of 40 cents per hour and not have to raise the price of steel one cent. They were sincere in their belief, no matter how foolish that belief sounds. It is not untypical of bureaucratic thinking—bureaucrats don't have to meet payrolls or pay dividends.

National price and wage controls in a free enterprise system have never worked. It is like keeping the lid on a pressure cooker while the fire continues to burn underneath—at

some point in time, the lid will blow off. Such has been our experience under controls in the years after World War II, the period after the Korean War, or in the early 1970's.

Look at the record

Whenever prices of any product or service are controlled by political expediency, those who are the target might as well throw in the towel. Look at the bankrupt railroads and the predicaments of the airlines and the Postal Service.

And look at the record of the British Steel Corp., nationalized and operated by the British government. The company lost \$528 million in the fiscal year ending in March, 1976. British Steel Corp. has an annual capacity to produce approximately 25 million net tons. Therefore, if the steel industry in the United States had the same relative experience, the loss would be approximately \$3.4 billion. That is quite a bill for taxpayers to underwrite. When an industry is free-enterprise, it is not a burden, but a contributor to the tax bill.

In steel, the importance of volume

is obvious both as to pricing and profits. It is my belief that had we not broken out of the last round of controls when we did, but were still regulated by the federal government, the steel industry in this country would by now be either nationalized or bankrupt. Furthermore, the industry would not be as modern as it is nor have the capacity the country needs.

Pricing by political expediency, whether through jawboning or law, is the end of free enterprise. Bureaucratic control just does not work that efficiently or progressively, and—worst of all—it lacks both initiative and competitiveness. □

MR. BICKFORD is a former senior vice president of Bethlehem Steel Corp., where he held responsibility for worldwide sales and pricing. This article is based on a detailed study he published under the title "Steel Pricing—Federal Government or the Marketplace." Copies of the full study are available from Mr. Bickford at One Bethlehem Plaza, Bethlehem, Pa. 18018.



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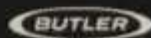
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From a Humble Beginning to Triumph in Business

This is the story of a young man, educated in a one-room schoolhouse, who left a hard life on the farm to build a new career—the story of how James Edgar Broyhill became a leader in industry

A COLORFUL PART of the lore of American business is the recurrent story of the poor youth who leaves the farm and builds an industrial empire.

Romantically overdrawn?

Not a bit, as witness the life of James Edgar Broyhill, 84-year-old chairman of Broyhill Industries, a home furniture manufacturer based in Lenoir, N. C.

Ed Broyhill was 21, with a sixth grade education obtained in a one-room schoolhouse, when he decided he had "followed the mule" long enough. He left the family farm to get more education and went on to a career of striking success in the business world.

His company has 16 plants and annual sales of \$200 million.

He is a humble man, says his son, Paul, chief operating officer and president of Broyhill Industries. "But I do think my father is a living example of the American dream. Our company's growth shows what one country boy can do."

Mr. J. E., as many employees call him, walks at a rapid pace, leaning

forward as if he were perpetually reaching for a finish line and as if he expected to get there first.

He is in the office from eight to noon five days a week, before heading for a golf course to play his daily 18 holes.

He was born in Wilkes County, N. C., the youngest of six brothers and three sisters, and his early life was one of toil from dawn to dusk.

In Mr. Broyhill's office today there are reminders—an anvil, a model of a farm wagon, and an ancient piece of wagon equipment. His earliest excursions from the farm were in a similar wagon. Now he is flown in a Learjet, or he drives a black Cadillac that often is caked with dust from rural roads.

He delights in going back to the old farm, which is still in the family, to reminisce and to show by the tree lines the course of the rutted road that led to Lenoir in his boyhood. It was on this road one day in 1913 that he hitched a ride on a lumber wagon to embark on a new life.

With \$5 in his pocket, he headed for Boone, 40 miles away, to enroll

in the Appalachian Training School as a seventh grader. Within 13 years, he had started his own furniture manufacturing business.

He has built a company that provides more than 6,500 jobs and is a significant economic force in western North Carolina.

A remarkable facet of the growth of Broyhill Industries is that it has been accomplished with internally generated capital. The company is privately owned and has not taken the merger route to growth.

Mr. Broyhill's younger son, James T., an eight-term congressman from North Carolina, says his father's success is due in great part to fierce competitiveness and hard work, combined with faith in people.

A man equally at ease with national political leaders and with production workers in his factories, Mr. J. E. is on the boards of directors of a number of firms, and he is active in civic and religious organizations. He is known for philanthropies.

Ed Broyhill and his wife, whom he married in 1921, live in a spacious hilltop home not far from his com-



Although the work force has grown to more than 6,500, J. E. Broyhill is on a first-name basis with most of the employees in his plants.

pany's headquarters. In addition to the two sons, there are two daughters—Mrs. W. E. Stevens, Jr., and Mrs. Willard A. Gortner. Mrs. Stevens's husband is executive vice president of Broyhill Industries.

In an interview with a *NATION'S BUSINESS* editor, Mr. Broyhill talked about his life, career, and business philosophy.

Mr. Broyhill, your family has been in these mountains a long time, hasn't it?

Yes. My ancestors came to North Carolina from Virginia around 1810. My great-grandfather fought at Yorktown, the best we can determine, and later settled in Wilkes County. I was born on a farm near Boomer at the foot of the Brushy Mountains.

Let's talk about your early years. What was your ambition as a youngster?

I don't recall having any. My life on the farm consisted mainly of hard work, and that didn't leave a lot of time for daydreaming. I had to do everything on the farm. I remember doing the blacksmithing. We made our own waterwheel for power to grind corn and cut timber.

When we weren't in the fields, we would haul timber with our team of mules and wagon. We had a few apple trees, and I remember hauling those apples to Charlotte. That's about 60 miles. Sold them right out of the wagon, and when they were sold, we headed back home.

Where did you go to school?

In a one-room, seven-grade school. I couldn't go regularly because of work on the farm.

I quit that school when I was 18. By that time, I had finished the sixth grade.

One day, when I was 21, I decided

all of a sudden that I had followed the mule long enough. So I went up in the mountains to Boone and entered what is now Appalachian State University. It was looked on as a teachers college then, but today you would call it a high school. In those days, when you finished its 11 grades, you could teach school. I finished the tenth grade before I was drafted in World War I.

Did you put yourself through school at Boone?

Had to. My family didn't have any money. When I left home, my father gave me \$5, which was a lot of money in those days for us. At school I made my money by barbering.

Where did you learn to do that?

On the farm. I cut my brothers' hair and became pretty good at it. So when I saw a vacant shop in Boone, I rented it and set up my business. I also started pressing clothes to make expenses. Room and board at the school were \$7 a month, and a shave and a haircut were 25 cents.

A dollar went a lot farther in those days. And it took a lot to earn one. As a boy, I trapped rabbits for food and sold the hides for a penny apiece. A possum skin brought five cents.

I also made money by cutting railroad crossties. I would do about ten a day. I would shape them out of oak with an ax, haul them down to the road, load them into a wagon, and take them to town. I got 35 cents apiece for them.

When you left the farm and went to Boone, what did you have in mind for the future?

I suppose I was thinking of teaching, but the big thing on my mind was to get off the farm. I didn't want to be a farmer.

How did you get into the furniture manufacturing business?

After I was mustered out of the Army, I came back to Lenoir, and I didn't have any specific plans. I had decided not to go back to school. I was 27 by then. So, while I was thinking, I started hanging around my brother Tom's factory, the Lenoir Furniture Corp.

When I was in the Army, I had learned to type. Well, my brother's

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office manager found out I could type, and I started typing letters for him. He would sit beside me and dictate. I could type about 60 words a minute. Then, as time went by, he taught me to do bookkeeping.

What was your salary?

The first year, my brother said nothing about paying me.

What did you live on?

My brother had a manager for his lumberyard whom I would go to for pocket money. I lived with my brother for a few months, and then I moved to a room in a boardinghouse.

Did the subject of money ever come up with your brother?

He never mentioned it that first year, and I didn't either. I was too embarrassed. Anyway, at the end of the year, he gave me a check for \$1,800. That was good money in those days. After that, I started getting a \$150 check each month.

Didn't you go into sales for your brother as well as office work?

Yes, I would go out into the little towns around Lenoir and sell. My first big trip came in 1922, when I went to New Orleans. By that time, my brother's factory was making bedroom suites, and we had an idea for a glass door chiffonier. The plant superintendent sketched it out on the top of a cardboard shoe box, and I took that with me as a sales brochure.

How did it go?

I sold three or four carloads. In those days, that was a tremendous sale. Well, it made quite an impression on my brother. That was what I was trying to do all the time—impress him. After that, I started handling the sales force as well as working in the office.

Were you a natural salesman?

Selling didn't come easy for me. It took a considerable amount of bucking up of my courage for me to go in and make a call, particularly a cold call. That was the greatest obstacle I had to overcome, and I did it the way I always overcame obstacles—hard work and determination to succeed.

When did you start your own business?

My brother and I worked together until his death in 1955, but I started my own company in 1926. By that time, I had paid for my house, and I was able to borrow \$5,000 on it to start the Lenoir Chair Co.

I rented an old blacksmith and buggy shop for \$15 a month. With eight employees, I began making upholstered chairs, and later, living room suites. My brother's salesmen became my salesmen, too. It was good for them, because it gave them

“You must have
an element of
toughness in
order to be a
successful
businessman....
You can't
straddle the
fence and be
successful.”

a line of living room suites to sell along with the bedroom suites my brother's plant was making.

Who did your designs?

Initially, I would copy somebody else's chair and sofa. Well, we grew, and when the Great Depression came, I must have had about 100 employees. Somehow, we managed to stay in business, but I can tell you that the Great Depression was the worst period in my life. I had little capital to exist on, but we all worked hard and even expanded.

Expanded?

In 1932, a company went bankrupt that had a very modern factory. My brother, myself, and a couple of other fellows bought it for about ten cents on the dollar. This factory had good machinery, 75,000 square feet of floor space, and 60 acres of land.

My partners weren't interested in

doing anything with the plant for a couple of years, and I finally went to them and offered to take over the plant and reimburse them for all expenses. They turned it over to me immediately. It cost me \$19,000. Today, it would cost several hundred thousand dollars.

I started operating the factory in January, 1935, and pretty soon had about 100 people employed there. After that, I just kept expanding, but capital was a problem. Up until 1938, my brother had to endorse my notes at the bank.

Even after you had two factories in operation?

Yes, I guess I was worth about \$400,000 then. I remember when that changed. I needed some working capital, and my brother felt he couldn't endorse more than \$80,000.

I recall driving a banker, who was from Wilmington, N. C., back to his hotel. He wasn't going to give me the loan—\$100,000—without my brother's endorsement. All of a sudden, the banker said: “Turn around and let's go back to your office, because I like your attitude and I'm going to lend you the money.”

After we had the papers drawn up, I couldn't sign the papers because my hand was shaking so badly. So the banker signed for me. Later, I signed.

When did Broyhill Industries come into being?

Initially, we simply called ourselves the Broyhill interests. My brother owned the Lenoir Furniture Corp., and I owned the Lenoir Chair Co. In 1930, we invested in another furniture company and began working as partners. There weren't any titles. We were very informal.

In 1935, we combined our two offices, and then in 1936 my brother suffered a heart attack and went into semiretirement. After that, I managed his businesses and mine. In 1943, we combined all the sales staffs into an agency we called the Broyhill Furniture Factories. The overall operation was fully combined and named Broyhill Industries last year.

How did you manage to survive and expand while other furniture manufacturers were going bankrupt in the Depression?

There were many times when we



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weren't sure we could keep on, but not once during those years did we fail to show a profit and grow. However, up until I was able to get that \$100,000 bank loan, it was hand to mouth.

Did you ever worry about the risks you were taking?

Oh sure, some. But I was deter-

accommodate those purchases, and I would add a few workers and a few salesmen. That was the slow way to do it. But with capital and credit scarce, that was the only way.

I guess the biggest risk came in 1941, when I bought two factories at the same time and put them into operation. My brother said I was out of my mind. The next year, I bought

happened to us. It represented a great financial disaster to a farmer.

How would you sum up the business philosophy that has guided you up the ladder of success?

I have always given the most I have, whether in product value or service—which is usually more than the customer expects and more than my competitors are willing to give. This philosophy has seen me through some very trying times.

Has religion been an important factor in your life?

Always. Every day, I read a chapter in the Bible. Most of my reading is religious literature. The Bible is the greatest book ever written.

Thousands of books have been written on how to manage people, but none of them is as good as the Bible.

Do unto others?

Yes, following the Golden Rule plus being industrious. Responsibility. I think all of our people in Broyhill Industries feel that way. Most of them are mountain people, and that's part of their heritage.

For example, at the end of World War II we were having a hard time finding enough lumber to keep our plants going. Clarence Holden, who is now vice president for purchasing, had just gotten home and was planning on taking a rest.

I went to him and said: "I need you to get back to work because we don't have enough lumber. We have 3,000 families depending on us."

He came back to work the following Monday, and he found that lumber.

You have remarkable stamina. Has that been one secret of your success?

Unquestionably. In my early days in business, I would work as a salesman during the day and do the book-keeping and office work at night. On the side, I sold insurance for a while and dealt in lumber.

One thing that has always helped is the ability to take a short nap and wake up refreshed and ready to go. For a while, I had a driver, and I would take naps between sales calls. When I was traveling by train, I would do my traveling between cities at night and work during the day.



In 1928, Mr. Broyhill started manufacturing chairs in a converted buggy and blacksmith shop in Lenoir, N. C., which he rented for \$15 a month. Shown here is an artist's sketch of that now-raised industrial complex.

mined to succeed and willing to put in the hard work that was necessary.

I think the best leadership is by example, and I always made it a point to work harder than anyone else. All of our people worked hard, too. Many times we would come back at night and work.

Buying that plant from my partners in 1934 was a risk, but at that time our plants were making medium-priced furniture. I saw a market for a low-priced line, and that was the right decision. If that plant had gone under, I would have been ruined, but I felt I could do it, so I went ahead.

When was your next major expansion?

All during the Depression I would attend auctions of bankrupt plants and buy machinery and equipment at a fraction of their original cost. Then I would expand one of the plants to

a couple more, so that we had six furniture factories.

In the years since World War II, we have added more plants, to make us the second largest furniture manufacturer in the nation. We are the largest privately owned manufacturer. Our sales would have been around \$200 million last year, but they weren't because we had a plant burn down.

That fire must have been quite a blow.

It was, but losing a mule was worse.

Losing a mule?

When I was on the farm, we had a couple of mules to pull our wagon. One morning we found one of those mules dead in his stall. The mule hadn't been sick, so his death was quite a shock to us. That was one of the worst tragedies that could have

At what point did you take up golf?

Back when I started selling. I played a lot of golf with my customers. I didn't make a point of letting them win, though.

What is your handicap?

My wife.

Your wife?

I always say that. I'm kidding, of course. I like to kid people, and Satie is one of my kidding favorites. Whenever people ask me how we met, I say I found her under a pine tree at Appalachian Training School, and she gets indignant. Like that thing about the handicap. That's a long running joke between us.

Satie has always been a real asset. A good wife is the greatest asset a businessman can have.

What qualities have you looked for in selecting your managers?

I have always looked for reasonable intelligence. However, attitude—desire and willingness to work—has always impressed me more than education or intelligence.

What is the most effective way to get the most out of people?

First, you have to pay them well. Also, you have to be nice to them, not be offensive. Cooperate with them. I believe in giving a man a job and then having confidence in his doing it. I have always given a man a chance. A few have failed, but most have succeeded.

What about mistakes? How do you react?

Anyone can make a mistake. I expect people to learn from their mistakes. I make it clear, however, that they shouldn't make the same mistake again.

When it has become necessary to fire someone, have you found it difficult?

Always. But you must have an element of toughness in order to be a successful businessman. When it becomes necessary to make those kinds of decisions, you have to make them. You can't straddle the fence and be successful.

What do you consider the most satisfying aspect of your business career?

Oh, there has been a lot of satisfaction. For example, after World War II we led the way in the furniture industry with the first salaried sales force.

We have also made real improvements in production. I have always wanted the best and latest equipment we could afford.

A good example is the installation of a conveyor system back in the middle 1930's. I was in Detroit and went through a Ford plant. I saw the production system they were using. When I came back home, I put conveyors in at one of our plants to move furniture through the finishing department. By 1940, we had converted most of our plants to conveyorizing, and that gave us a lead in the industry.

Overall, I suppose the most satisfaction in my career has come from seeing the business grow and provide benefits for more people, as well as witnessing the growth of people in the business.

What has been your biggest disappointment?

Witnessing the gradual encroachment of government upon the business sector and agonizing over the decline of freedom of initiative in this country.

Is there as much opportunity today as there was when you started?

There is certainly more opportunity to make a good living today. However, government regulation makes it harder to start a business and succeed than back then.

Business today has a somewhat tarnished image. What should business people do to change that image?

Businessmen of my acquaintance are very much aware of the adverse public opinion regarding business and are very disturbed about it. We regret that we have been so busy running our businesses that we have not taken the time to tell the public what great benefits business brings to them.

Perhaps we should spend a little less time creating those benefits and a little more time telling the people about them. ☐

REPRINTS of this article are available from Nation's Business. See page 36 for details.

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R. A. Weller, chairman and chief executive officer, Otis Elevator Co., New York, says improvement in the liquidity of businesses is the most encouraging aspect of the economy now. He says the economy will show only slight improvement in the year ahead.



George C. Dillon, chairman and president, Butler Manufacturing Co., Kansas City, Mo., feels the most discouraging aspect of the economy is unemployment, with its resulting social stresses. He is also concerned over the "volatile international situation."

The Outlook for 1977: Favorable

Eight out of ten business leaders taking part in a survey by Nation's Business believe the economy will improve this year

DESPITE THE recent pause in the economic recovery, a large majority of executives responding to the latest NATION'S BUSINESS outlook survey report their companies had good results in 1976 and look forward to even better sales and profits now.

The survey also shows that most leading businessmen feel the overall economy will improve this year; that capital investment will increase; and that most of those responding feel

employee attitudes and productivity are, on balance, favorable.

There are few expectations, however, of an improvement in the inflation picture.

Eight out of ten

Here is how responses shape up to a series of questions, as well as a selection of answers:

- *What do you think the nation's economy will do in 1977—go up, level off, go down?*

A healthy 82 percent of the respondents believe the economy will improve, 16 percent think the pace of business will level off, and only two percent look for a downturn.

L. B. Miller, director of corporate planning, A. E. Staley Manufacturing Co., Decatur, Ill., says the economy will improve "slowly by about four to 4½ percent in real growth." He points out that housing starts are up but says consumer and capital spending are still a bit slow.



Charles Brinkley, chairman and president, Northeast National Bank, Fort Worth, says that the nation's economy will not change much this year. He also sees little change in government fiscal policy and says inflation will be running at five to six percent by the year's end.



Frank W. Griffith, chairman and president, Iowa Public Service Co., Sioux City, thinks the economy will improve this year, but he also sees inflation running at ten to 12 percent by the end of the year. His company plans considerable construction in 1977.

A. Addison Roberts, chairman and chief executive officer of Reliance Insurance Companies, Philadelphia, also looks for improvement, but at a slower pace. He says that "most of the fundamentals are such that the recovery should continue in 1977 at a satisfactory rate."

What Carter will do

Evans McReynolds, chairman of Boatmen's Union National Bank, Springfield, Mo., believes that the Carter administration "will do everything possible to stimulate the economy" and that therefore the pace of business should pick up. Like many others, he says the improvement will be gradual.

H. J. Runnion, Jr., a senior vice president of Wachovia Bank & Trust Co., Winston-Salem, N. C., expects increased consumer expenditures to be followed by increased capital expenditures which will take the economy forward.

However, R. Heath Larry, vice chairman of United States Steel Corp., Pittsburgh, feels the economy

will be "pretty flat" due to external pressures such as the international oil price hike.

R. G. Laidlaw, president of Coats & Clark, Inc., Stamford, Conn., says no one knows President-elect Carter's intentions well enough at this point to be optimistic or pessimistic about the economy. He adds: "Uncertainty is likely to hurt business."

• How did your sales hold up in 1976? Higher or lower than in 1975?

Eighty-five percent say their companies' sales were higher, 12 percent say lower, and three percent report sales held about the same.

Hillsman V. Wilson, vice president-finance of McCormick & Co., Inc., Hunt Valley, Md., reports that sales for his food products firm were higher than in 1975 but that the rate of increase was higher in the first two quarters of 1976 than in the third and fourth quarters.

A range of rises

William Cullen Kehoe, Jr., president of First Tennessee Bank N. A. Memphis and of the parent First

Tennessee National Corp., Memphis, estimates that sales were up 15 percent corporate-wide but adds that much of the increase reflects acquisition of a large bank in Chattanooga. Excluding the acquisition, he says, "adjusted gross income will show a two percent rise on a fully taxable equivalent basis."

A sampling of other executives' reports on their companies' 1976 sales:

Daniel C. Beisel, president of Green Bay Newspaper Co., Green Bay, Wis.: up 11 to 12 percent.

Arnold C. Schumacher, vice president-economist at Chicago Title & Trust Co., Chicago: up 15 percent.

John V. James, chairman, chief executive officer, and president of Dresser Industries, Inc., Dallas: up 15 percent.

Allan G. Lozier, president of Lozier Corp., Omaha: up 30 percent.

H. L. Weathers, Jr., president of Russell Pipe & Foundry Co., Inc., Alexander City, Ala.: 13 percent below 1975 sales.

• How did your 1976 profits compare to 1975's?



Jack Schang, president, Allied Van Lines, Inc., Chicago, says his firm's capital investment will increase in 1977. Allied is buying more revenue-producing vehicles, even though Mr. Schang sees the rate of the company's revenue growth slowing in the near term.



Phillip H. Smith, chairman, president, and chief executive officer, Copperweld Corp., Pittsburgh, considers the most discouraging aspect of the economy today to be "lagging of capital spending and possible capacity restraints in basic industries."

Seventy-three percent report their companies' profits were higher, 18 percent say they were lower, and nine percent say profits were about the same.

Charles E. Drury, president and chief executive officer of Hayes-Albion Corp., Jackson, Mich., says his industrial manufacturing firm's profits were the "best for many years."

M. W. Townsend, president and chairman of Handy & Harman, New York, says: "Significantly better."

Increasing costs

Chester A. Matteson, president of Sioux Falls Wholesale Co., Sioux Falls, S. D., says that his firm's gross profits were good, but that net was off. He blames much of the decline on "rising costs of operation, most of which cannot be passed on at this time."

Harry J. Kane, executive vice president-finance of Georgia-Pacific Corp., Portland, Oregon, says his company's profits were at a "record high."

Martin H. Seppala, president and

treasurer of Seppala and Aho Construction Co., Inc., New Ipswich, N. H., answers: "Considerably better."

Ronald R. Findlay, president of Pioneer National Bank, Greenfield, Mass., says his profits went in the other direction—"off 25 percent."

Walter S. Holmes, Jr., chairman of C. I. T. Financial Corp., New York, reports that "year-end results will not be announced until February. However, the trend established during the first nine months suggests an increase over 1975."

• *How will your first-quarter sales this year compare to your sales in the final quarter of 1976?*

Fifty-four percent say sales will be higher, 27 percent say they will be about the same, and 19 percent say sales will be lower.

Beryl W. Sprinkel, executive vice president and economist of Harris Trust & Savings Bank, Chicago, says loan demand is expected to rise moderately.

James L. Rooney, president of Niagara Plastics Co., Erie, Pa., says

early indications are that first-quarter sales will show improvement.

Lloyd R. Larson, a vice president of Dohm Transfer Co., Rock Island, Ill., looks for five to eight percent improvement.

• *Will you increase or decrease your company's capital investment in 1977?*

Fifty-seven percent report their firms' capital investment will increase, 27 percent say the rate will remain about the same, and 16 percent say there will be decreases.

Louie P. Lathem, Jr., president of Lathem Time Recorder Co., Atlanta, one of those reporting a planned investment increase, says his firm will establish a West Coast distributor operation.

Five-year plan

Charles H. Whitmore, chairman of Iowa-Illinois Gas and Electric Co., Davenport, Iowa, says his firm will spend from \$50 million to \$60 million in each of the next five years to increase generation and transmission facilities.

R. A. Whitehead, president of Jackson Manufacturing Co., Harrisburg, Pa., forecasts expansion both in construction and replacement of older equipment.

James B. Campbell, president of Mississippi School Supply Co., Jackson, Miss., reports his company will put up new warehouses.

Wayne E. Matschullat, president of Gamble-Skogmo, Inc., Minneapolis, says that his general merchandising firm hopes to increase capital investment, "mostly through acquisitions and construction of a large warehouse."

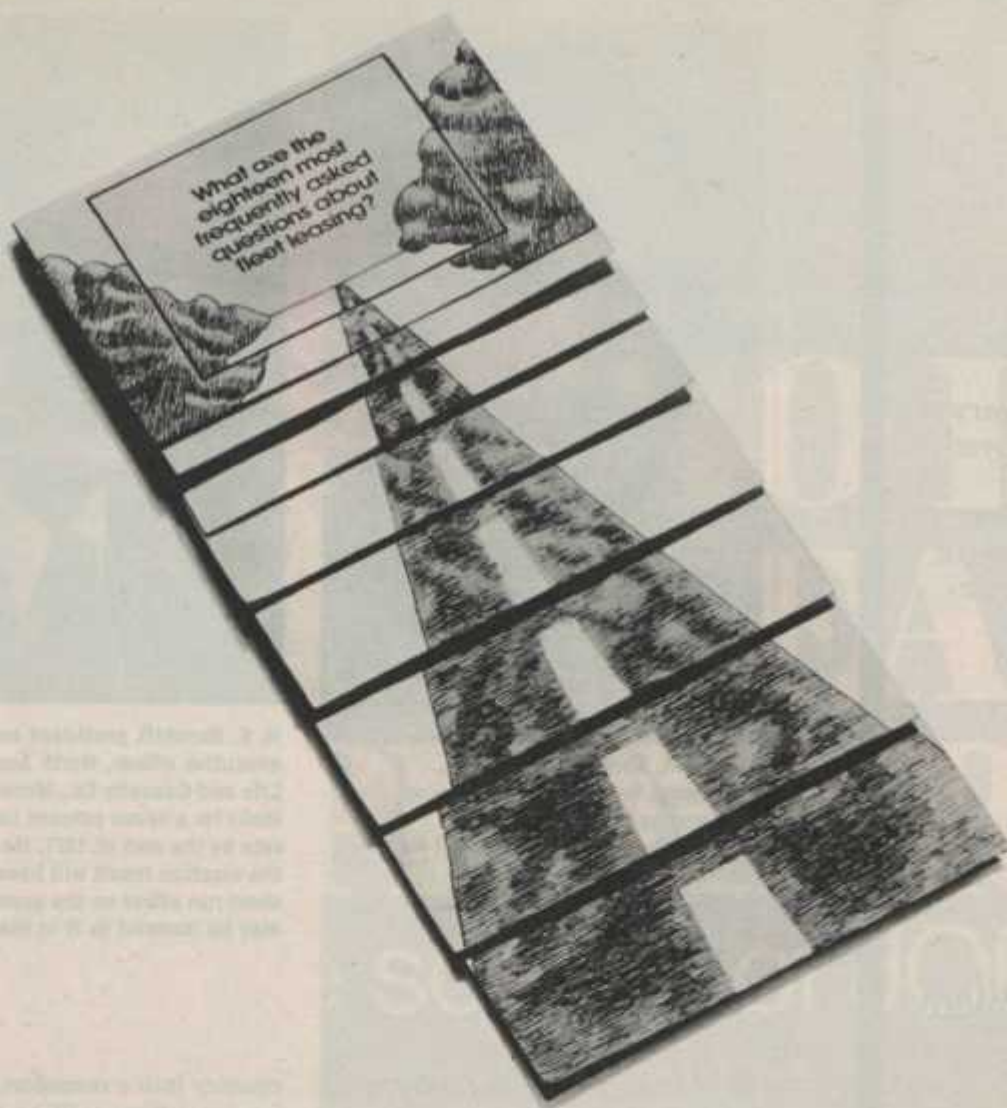
• *What, in your opinion, will the rate of inflation be by the end of 1977?*

Forecasts range all the way from two percent to 12 percent, but there is much sentiment that the inflation rate will be between five and seven percent at the end of the year.

Six percent leads

Six percent is the rate predicted by more respondents than any other, and five percent is the runner-up.

In all, 46 percent of the respondents make predictions of rates of anywhere from five to seven percent. Thirty-five percent of the respondents predict inflation rates higher than seven percent, but only a hand-



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Dr. R. Pierce Lumpkin, senior vice president, Bank of Virginia Co., Richmond, forecasts an improving economy as today's "moderate recovery develops momentum." He believes monetary and fiscal policies of the government will be stimulative in 1977.



H. E. Barnhill, president and chief executive officer, North American Life and Casualty Co., Minneapolis, looks for a seven percent inflation rate by the end of 1977. He feels the election result will have little short-run effect on the economy but may be harmful to it in the long run.

ful of these say the rate will top ten percent.

• *What is happening in the labor situation at your company as regards productivity and attitude of employees?*

Answers, on balance, are encouraging. "Good" is the adjective used more frequently than any other in assessing changes in attitude, and, in all, 62 percent of respondents say the employee attitude picture is on the bright side. Eighteen report no significant change. Other respondents express disappointment to one degree or another in what is happening to employee attitudes.

The judgments on employee productivity are in roughly the same proportions.

• *What effect will the recent presidential and congressional elections have on your own business and business in general?*

Twenty-five percent say they look for no effect. There is a variety of other answers, including: Business will improve regardless of election results, the Democrats will spend the

country into a recession, inflation will increase, there will be more burdensome paperwork and government regulation, and consumer confidence may be damaged.

• *What do you consider the most encouraging aspect of the economy today?*

The lower rate of inflation is the answer most given—by 35 percent of respondents. Other frequent responses are: increased activity in the steel, auto, and housing industries; slow but steady overall economic improvement; increased consumer confidence; and a recent hold-down in government spending.

• *What is the most discouraging aspect of the economy today?*

The answers given most often: Too much big government; excessive welfare; obstacles to business mounted by government; too many rules for business to abide by; lingering high unemployment; increasing monopolistic union strength; government deficits; increasing energy costs; inflation abroad and at home; and attacks on free enterprise. □



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Will Federal Campaign Laws Make Elections More Honest?

BY GEORGE D. WEBSTER

SINCE 1907 Congress has sought to purge sin from the federal election process. The latest effort culminated with the 1976 amendments to the Federal Election Campaign Act.

Committee reports and floor speeches last year hailed the goal of legislating morality, integrity, and decency through far-reaching regulation of the election system. Such rhetoric as "reducing the influence of big money in federal elections" echoed in the halls of Congress.

The leading House sponsor and House conferee was Wayne Hays, then a representative from Ohio. Mr. Hays was strong in his endorsement of the 1976 amendments as a vehicle to bring virtue to federal officeholders and their elections.

Many of the state legislatures were seized, too, by the so-called post-Watergate morality crusade and enacted extensive new election campaign laws.

Congress couldn't wait

Congress may have considered election law changes important, but it is interesting to note what happened to a 168-page set of regulations proposed by the Federal Election Commission to cover enforcement of the Federal Election Campaign Act as amended.

The regulations were to go into effect if they had been before Congress for 30 legislative days and if Congress had not taken any action on them.

However, the 94th Congress adjourned last October two days ahead of the 30-day deadline, leaving the country with no federal regulations implementing this legislative action to fight sin in politics.

Despite this, the Federal Election Commission says it will act as if the regulations are in force, moving to ensure compliance with them in court, if necessary. Many provisions in the regulations are so complex as to puzzle even lawyers and accountants. Partly because the statute itself is so complex, some provisions are impractical, and others are of dubious constitutionality.

Now, the regulations are to go before the 95th Congress, and they will go into effect if the new Congress does not reject them in a specified period. There probably will be vigorous debates over certain provisions. However, Congress only has the pow-

er to reject provisions in the regulations. It cannot rewrite them.

The serious question is: Assuming the new federal law substantially survives challenges to the constitutionality of various provisions, can it bring true integrity to the election system? Or, to put the question another way, have the knaves in federal elections been curbed? And, even if shortcuts, shenanigans, and outright corruption in the election process are curtailed, how can this operate to make the elected legislatures incorruptible and nonsusceptible to improper or questionable influences?

Before the law was enacted—and even before there were any federal election statutes—Presidents and members of Congress were elected who proved to possess high standards of conduct. High-minded, competent public servants obviously can come to power without restrictive federal election laws.

But the appealing and deceptive concept of "reform" legislation to bring about purity of conduct has been a hardy perennial in our nation's history.

The failure of the "noble experiment" of the Eighteenth Amendment should never be forgotten. Emphasizing that integrity and morality could not be legislated, Franklin Roosevelt spearheaded the repeal of Prohibition.

Human beings are human

What happened under Prohibition, along with numerous other experiences, should teach us that far-flung and draconian election laws cannot bring integrity to the campaign system, contrary to the representations of the laws' sponsors.

As John James Ingalls said, "The



"Laws cannot change the hearts, minds, souls, or consciences of human beings," says Mr. Webster, a well-known Washington lawyer.

purification of politics is an iridescent dream." Laws cannot change the hearts, minds, souls, or consciences of human beings. The doctrine of original sin cannot be legislated out of existence. There will be rascals in every sector of our society—including the halls of Congress—long after all of us have passed to another world.

If sin could be abolished by legislation, it would be a simple undertaking. No complicated law would be needed. Congress would only have to pass a bill saying there shall be no more sin, the President would sign the bill, implementing regulations would be issued by the appropriate anti-sin regulatory commission (consisting, perhaps, of six former congressmen), and Congress would be willing to stay in session long enough to permit the regulations to become effective. Then there would be no more sin, and the knaves in politics and elsewhere would be forever curbed.

Of course, the problem of sin—in politics or elsewhere—is not that simple to solve. Leaving aside considerations of philosophical, religious, and other complex influences that shape lives, behavior, and votes, let us look briefly at two of this country's older election laws.

The 1907 election law

In 1907 it became a crime to make a corporate contribution to a federal election. No person ever went to jail for violation of this provision in the first 66 years after its enactment despite literally thousands of known violations. Had the law been enforced in the 1940's, 1950's, and 1960's, the corporate violations of the 1972 campaign might not have occurred. Many of those who failed to enforce the law as originally written in 1907 became judges, members of the Cabinet, and members of Congress.

One of the original election laws on the books prohibits a contribution to a federal official being made at his office. Certainly, this provision, probably violated every day in an election year, has not brought about honesty and clearly has nothing to do with it. It is senseless.

Another example of basically futile tilting at sin was the Internal Revenue Service action in the 1960's to regulate tax deductions for expense-account spending. Expense accounts

have always been a fertile field for cheaters. IRS issued extensive regulations with much fanfare from the then-head of the agency about enhancing the integrity of the system. Actually, all IRS did with the regulations was to make the expense-account cheater reduce his sin to writing. Sin was not abolished; it was only written up.

Undoubtedly, many—if not most—taxpayers with expense accounts make inaccurate accounting during the course of the year. Such errors are generally inadvertent, but there is no way, even with the most careful and honest of taxpayers, to have an entirely accurate system of business expense accounting. Allocation of expenses is simply not that well-defined or possible.

Public dole: more neutral?

An important function of the Federal Election Commission, aside from its role as policeman, is to dole out money to presidential aspirants, which it did last year. Common Cause, the Washington interest group that was a prime force behind passage of last year's campaign act amendments, says the public treasury is a more neutral source of money for candidates than private donors are. Perhaps. But the federal dole certainly has a corrosive effect on political integrity. It forces the American taxpayer to put money into the campaign of an individual with whom he thoroughly disagrees.

Also, if the presidential campaign of 1976 is any example of the results of public financing, citizen participation is substantially lessened. Volunteer members in both major parties were considerably fewer in the 1976 campaign. Such reduced citizenry participation reduces overall honesty in the system.

Following the Common Cause logic of public financing would dictate this result: All lobbying efforts in Congress should be publicly financed by taxpayers, and both sides should be made even in money and time so the issues could be properly and fairly debated. For example, any money or time used by Common Cause for a legislative effort in behalf of public financing for congressional candidates would have to be made available to the other side.

The argument would also dictate that the public dole be extended to

legislative efforts, and that every congressman and senator line up outside the Federal Election Commission for campaign money.

Warning to business

Indeed, there undoubtedly will be attempts in the new Congress to push through legislation providing for complete public funding of campaigns for seats in the House and Senate.

If so, business had better take heed. Such legislation would shut corporations' political action committees out of congressional races, while labor unions still would be able to exhort their members to work and vote for candidates favored by union leadership.

There also could be an attempt to obtain legislation providing for partial public funding—extending public funds to House and Senate candidates on a matching basis, as is now done for presidential primaries.

This would not shut business out of the congressional campaigns, since candidates would need to obtain contributions in order to qualify for matching funds. However, some congressmen have suggested that a system of matching funds be accompanied by a reduction in the limits on contributions permitted multicandidate committees, including corporate political action committees. And such a reduction would substantially reduce the business role in politics.

Is small better?

The concept of legislating morality is no more valid today than it was when Franklin Roosevelt called for an end to the prohibition on liquor.

One thing the Federal Election Campaign Act has done is prevent large contributors from providing large amounts of money to one candidate. Implicit is the theory that a senator or congressman who could "be bought" for \$100,000 would be less responsive to a gift of \$2,000 or \$5,000.

However, some members of Congress have asserted that the only contributors who in the past asked them for favors were small contributors. Also, some congressmen and senators and presidential campaign aides bitterly complain that the new contribution limits seriously hampered the financing of their 1976 campaigning. Many candidates must

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have been deeply grateful for lowly contributions.

Of course, few of us are so naive as to believe that handing out money is the only path to political influence.

Why favors are done

Favors are done or relief is granted in the government for many reasons. It might be because the favor-seeker is a coreligionist, whether he be Protestant, Catholic, Jewish, or even a fellow nonreligionist. There is no way that laws can eradicate the personal influence factor from the legislator's decision-making process. But most times, appropriate favors are done for the taxpayer simply because the taxpayer is entitled to them as a citizen.

Should a son of a congressman be allowed to lobby before Congress? Should a former congressman turned lobbyist be allowed to have the use of the floor? Should a former campaign worker become a federal judge? Such practices are common. Should they now end?

Charles Dudley Warner, more than

100 years ago, gave us one of the great axioms of our system—"politics makes strange bedfellows." History is replete with examples which show that election laws cannot abolish bedfellows or alter the many facets of the human personality which influence decisions.

One way to influence an election is for a special prosecutor to raise publicly an unsupportable complaint against a candidate shortly before an election. How is this kind of tremendous influence on an election prevented? One unsupported headline, even though later corrected, can change an election result. Money has nothing to do with this—merely personal bias or ambition or mistake.

Outlaw buddies?

However, all that the so-called reformers seem to comprehend is money. So they tell us that big money should not be allowed to buy what can be secured by being a brother, a law partner, a classmate, or perhaps even a member of the same church.

If legislation could operate to bar

individual influence, we certainly need a mass of new laws. A statute could probably be drawn requiring that parties at interest, relatives, classmates, roommates, campaign workers, drinking or hunting buddies, etc., should be disqualified and disassociated from the legislative and election process. Acts motivated by personal bias or greed or ambition should be outlawed.

Of course, this would take hundreds, maybe thousands, of pages, and make the voluminous 1976 Tax Reform Act seem like a one-liner. Extreme as this would be, it points up more meaningfully the shortsightedness and lack of understanding of our political processes on the part of those who urged the new "anti-money" legislation as a sine qua non for election virtue.

Conclusion

The enactment of voluminous and complex legislation and regulations will have scant—if any—effect in making elections more honest than they have been before. Nor does such action mean that political decisions will be reached more conscientiously and objectively, since there are so many influences in elections and the political process.

One campaign worker in a presidential primary reported recently that he witnessed 29 violations of the present federal election laws in a week. The election laws are thus now like the tax laws. Interpretations may vary, and the best that can be done, as with expense accounts, is to make an honest effort to comply with the laws.

While the election laws may be a boon to the legal profession, the public should not be deceived about their contribution to the integrity of the federal election process.

Whatever the merits of such legislation may be, the legislation clearly does not make politics or politicians more honest. Integrity is guaranteed by individuals on the basis of personal commitment—not by a convoluted and complex law. □

MR. WEBSTER is a partner in the Washington, D. C., law firm of Webster & Chamberlain and author of several books, including "The Law of Associations." He is counsel to more than 125 trade, professional, and industry associations.

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A Profitable Way to Get Rid of Solid Waste

THE SOLUTION to getting rid of the mountains of solid waste accumulating in this country could ultimately rest in large part with the lowly earthworm.

Ronald E. Gaddie, founder and president of North American Bait Farms, Inc., in Ontario, Calif., says he has proven that the wiggly creature can do the job and turn out valuable fertilizer in the process.

Vermiculture—raising earthworms—has made Mr. Gaddie, 37, a millionaire in less than ten years. A one-time truck driver, he started raising worms as a hobby while recuperating from a back operation in 1967. At the time, he was out of work and had gone on welfare to support his wife and six children.

North American Bait Farms is one of the largest earthworm marketing organizations in America and a world leader in worm technology.

Vermiculture boomed in the 1950's to satisfy the rising demands of sports fishermen. Soon, more and more farmers began buying earthworms, because the worms both aerate and fertilize the soil. More recently, the earthworm's ecological talent was discovered, and that may prove to be its greatest contribution.

Mr. Gaddie's company, which spent more than \$100,000 last year on research, first experimented with 15,000 pounds of ground garbage brought in from nearby Los Angeles. Worms were put to work. Within three days, all the odor had disappeared. In 28 days, 90 percent of the

garbage had been consumed, and the worms had created hundreds of pounds of fertilizer selling for up to \$1 a pound.

Last year, Mr. Gaddie conducted a demonstration project for the City of Ontario. The results were so successful that Mr. Gaddie has been asked to develop a worm consumption program as part of a total waste management system for the city. Several other American cities have expressed interest, and Mr. Gaddie is working with Japanese firms which have similarly been experimenting with earthworms in the elimination of biodegradable refuse.

Mr. Gaddie says a worm consumption facility capable of handling 150 tons of refuse daily could be built for less than \$10 million. It would use more than three and a half billion worms on a site of about 20 acres. Such a plant would annually produce about 18,000 tons of fertilizer and 2,500 tons of new earthworms which could be converted into rich protein feed for pets and livestock.

Vermiculture is becoming a billion-dollar industry in this country, according to Mr. Gaddie. In California alone, says the California Farm Bureau Federation, more than 10,000 growers are active in the business.

A television engineer gave up a promising career to raise earthworms and within two years built up a sales volume of almost \$50,000. A construction worker turned entrepreneur is producing \$75,000 worth of worms annually on a quarter-acre plot.



Ronald Gaddie, a former truck driver, became a millionaire raising worms.

New markets are gradually developing for worms. They are being sold for soil improvement, not only to U. S. farmers and gardeners, but also to underdeveloped countries. Fish hatcheries, zoos, and processors of foods for tropical fish and other pets are becoming big buyers.

Mr. Gaddie is especially interested in the ecological benefits that could flow from his company's research.

He has written a book, "Earthworms for Ecology & Profit," in which he notes that billions of dollars are being spent to reduce pollution caused by burning and dumping of various types of organic wastes.

"While all of this money is being spent," he says, "1,000 lowly earthworms—which cost \$5 to \$6—and all of their descendants can convert approximately one ton of organic matter into one of the highest-yield fertilizers available, within a year." •

How Antelope Became a Regulatory Problem

Louis W. Menk, who rose from railroad telegrapher to his present job as chairman and chief executive officer of the Burlington Northern railroad, has had his share of experience with federal regulators.

In his new book, "A Railroad Man Looks at America," Mr. Menk relates one of the problems Burlington Northern and another railroad encountered when they wanted to build a 116-mile rail line that would open up rich coal reserves in Wyoming's Powder River Basin.

He writes:

"In line with the requirements of

the Interstate Commerce Commission, the Bureau of Land Management, the Forestry Service, and the Geological Survey, we prepared—at considerable cost in dollars and staff time—the usual environmental impact study. It is more than 1,000 pages long and describes everything about the proposed route—soil conditions, flora and fauna, the migra-

tory habits of the fauna, and so forth. It was honestly and carefully prepared. This information was placed in the hands of the state director of the Bureau of Land Management, who in turn forwarded an environmental impact statement to Washington, D. C.

"Among the exceptions taken to our report was the impact our fenced-in rail line would have on the love lives of the antelope. You see, even though we plan to build short tunnels under the line at intervals

so that antelope herds can visit back and forth across the prairie, the government is concerned that our line will discourage social visits by the antelope and that inbreeding will result. Being unable to find anyone who can talk to the antelope and ask how they feel about love's ability to find its own way, we are reduced to pointing out to the government that within 30 to 40 miles east and west of that proposed line we have tracks that have been in operation since 1890. And we see substantial evidence that the sex lives of the antelope continue to be fruitful indeed, thank you.

"Now, although there is humor to

my antelope anecdote, it illustrates again how government bureaucracy can frustrate the drive of private enterprise to meet a real need of the American public. The nation needs that coal in Wyoming.

"Let us hope that the government's understandable and laudatory concern for the diversity of opportunity in the love lives of antelope is satisfied before too many more months have passed so that we can get on with the job of building our rail line and the walk-throughs for the antelope."

After some delay, Uncle Sam gave his approval and the rail line is now under construction. •

Businesses Join Drive to Aid Youth in Two Ways

Because millions of youngsters are reading books voluntarily, millions of dollars are being raised to support research into the cause and cure of multiple sclerosis.

Many American businesses—large and small—are participating in the MS READ-a-thon campaign. The campaign works this way:

Schoolchildren who are in the first through eighth grades register as "mystery sleuths" to help in the fight against multiple sclerosis, that "mysteriouscrippler of young adults." The National Multiple Sclerosis Society sends the children kits in which to list books they will read and sponsors who will contribute ten cents and up per book. Then the youngsters approach parents, relatives, friends, or neighbors to serve as sponsors. Parents initial each entry showing a book has been read. At the completion of the reading period, the child takes his book list to his sponsors, collects his money, and sends the funds to the society.

MS READ-a-thon, less than two years old, has raised more than \$5 million and encouraged the reading of an estimated 20 million books.

Ralph A. Weller, chairman and chief executive officer of the Otis Elevator Co. and a Multiple Sclerosis Society board member, says:

"All across the nation, the serious decline in reading ability among the youth of America has been documented. This is not a casual aca-



Fourth-grader "mystery sleuths" in Piqua, Ohio, not only are reading more, but they are getting the satisfaction of raising money to fight multiple sclerosis.

ademic problem. The loss of reading ability and consequent decline in writing together mean an inestimable loss in the earning and learning power of our society and the downgrading of the effectiveness of our economic system.

"There is every indication that, in terms of the number of books read and the number of children being encouraged to read, the MS READ-a-thon is playing an important role in helping to turn this trend around."

The McDonald's Corp. is conducting a test program in Peoria, Ill., Orlando, Fla., and Oklahoma City to determine the feasibility of using its thousands of restaurant outlets to

register youngsters for the reading program. Many firms, such as United California Bank, Disney World, Auto Train, and New York's Chemical Bank, donate prizes to the readers. Luray Caverns of Luray, Va., has contributed \$32,000 to produce a film promoting the program. The Grand Union and Pick-and-Pay supermarket chains publicize MS READ-a-thon on all their shopping bags.

For some children taking part, the program has worked wonders. In Boston, a youngster was able to move from a remedial reading class to a regular reading class. And in California, a deaf third grader began reading books for the first time. □



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BUSINESS: A LOOK AHEAD

Nuclear Power Development May Face Further Slowdowns

Construction of nuclear power plants, already well behind projections, may be in for further slowdowns under the new administration.

Presidential candidate Jimmy Carter, explaining his energy position to the Edison Electric Institute last fall, said:

"U. S. dependence on nuclear power should be kept to the minimum necessary to meet our needs. We should apply strict safety standards as we regulate [nuclear power's] use, and we must be honest with our people about its problems and dangers."

In 1974, the Federal Energy Administration counted 209 plants on the drawing boards. Due to slippages caused by safety, environmental, and financial considerations, that figure had dropped to 170 in mid-1976. At that time, 58 nuclear power plants were in operation. FEA has made no projection since then, but it expects more cancellations of plans to construct nuclear plants.

Despite his pronouncement on minimizing use of nuclear power, President-elect Carter may be affected by voter sentiment in seven states.

Last November, voters in Arizona, Colorado, Montana, Ohio, Oregon, and Washington rejected proposals to restrict construction of nuclear power plants in their states. In an earlier referendum, California voters spurned a similar proposal.

Mr. Carter carried only one of the seven states—Ohio—in his presidential bid.

Texans Paid \$2.59 for Energy Costing \$9.98 in Connecticut

Manufacturers located in New England pay much higher prices for energy than their competitors pay in other sections of the nation, the Census Bureau reports.

Data from the bureau's 1974 Annual Survey of Manufactures, just released, confirms the wide difference between the energy-rich and the energy-poor.

For example, the average cost of 1,000 kilowatt-hour equivalent in energy in 1974 ranged from \$2.59 in Texas to \$9.98 in Connecticut.

The disparity between energy costs in New England and other areas was significant, too. Manufacturers in New England, for example, paid more than twice as much for energy as manufacturers in the Rocky Mountain states.

For everyone, however, one story was the same: Fuel bills were higher. American manufacturers' total fuel bill in 1974 was \$19.5 billion, about 43 percent higher than in 1973.

Census Figures Show More Urbanization

More than one out of two Americans now live in urbanized areas, according to the Census Bureau. The bureau recently gave urbanized-area status to 27 more small cities and surrounding settlements. Previously, 248 had been designated urban areas.

According to the federal government, an urbanized area consists of a central city with a population of 25,000 to 50,000 and densely settled adjacent communities which have a total population of 50,000 or more. The Census Bureau has revised the 1970 census to show that 120,731,573 Americans were residents of urbanized areas at the start of the decade.

Largest of the 27 new urbanized areas are Melbourne-Cocoa, Fla.; Sarasota-Bradenton, Fla.; New London-Norwich, Conn.; and Daytona Beach, Fla. All have populations of more than 115,000. The other 23 areas range from 50,000 to 75,000 in population. They are:

Alexandria, La.; Alton, Ill.; Anchorage, Alaska; Anniston, Ala.; Antioch-Pittsburg, Calif.; Battle Creek, Mich.; Burlington, N. C.; Clarksville, Tenn.-Ky.; Elmira, N. Y.; Florence, Ala.; Ft. Myers, Fla.; Gastonia, N. C.; Killeen, Texas; Kingsport, Tenn.-Va.; Lakeland, Fla.; Parkersburg, W. Va.-Ohio; Poughkeepsie, N. Y.; Richland-Kennewick, Wash.; St. Cloud, Minn.; Santa Cruz, Calif.; Spartanburg, S. C.; Williamsport, Pa.; and Yakima, Wash.

Regulation: Biggest Thorn in the Side of Small Firms

The three most troublesome problems faced by small businesses are government regulation, inflation, and taxes, in that order.

This lineup comes from a survey of nearly 2,300 small firms by the Center for Small Business in the Chamber of Commerce of the United States. The center invited respondents to name the most serious problems affecting their operations.

After the first three came government paperwork, labor unions, federal deficits, high interest rates, environmental restrictions, lack of available capital, minimum wage laws, insufficient depreciation allowances, and crime.

Troubleshooters Focus on NLRB

An advisory group probing National Labor Relations Board operations has given NLRB Chairman Betty Southard Murphy 69 recommendations on how to speed up the processing of unfair labor practice cases and the holding of representation elections.

Chairman Murphy is expected to adopt many of the recommendations, but she first will await public comment.

In an interim report, the troubleshooting group singled out the agency's 86 administrative law judges for attention. The judges relieve the board itself of having to handle many cases.

Most of the judges "are competent, industrious, and a credit to the agency," the report said. However, it chided some of them for low productivity.

Government-Contract Profit Law May Be Revived by Congress

Possible revival of the controversial Renegotiation Act, which was allowed to expire on Sept. 30, 1976, is certain for early consideration in the new Congress.

Under this law, businesses which have contracts with certain branches of the federal government, such as the Defense Department or the National Aeronautics and Space Administration, have had to report profits periodically for a review by the government's Renegotiation Board. The purpose: preventing profits from being excessive.

The law, passed during the Korean War emergency, has expired before, but each time it has been revived retroactively. Business long argued the law was not needed in peacetime because competitive procurement practices ensure that the taxpayer gets a fair deal. The law saddled both government and business with expenses—a bureaucracy, in government's case, and the maintenance of separate sets of accounting records, in the case of business.

Efforts will be made in the 95th Congress, not only

to revive the law, but also to bring more contracts within its scope. This, it is believed, would drive some businesses away from government work because of the expense and nuisance of the added paperwork.

Legally, any work being done on a renegotiable contract after Sept. 30, 1976, became non-negotiable, but Renegotiation Board Chairman Richard C. Holmquist has advised contractors and subcontractors that they should maintain accounting records as if the law had never expired.

Even if the law is not revived, contractors have an obligation to file reports on government work accomplished prior to Oct. 1, 1976.

Federal Control Is Feared in Electronic Fund Transfers

A major policy battle is shaping up over who should own and control electronic fund transfers facilities serving the Federal Reserve System and private banks.

The Federal Reserve Board, through pilot projects, is now linking automated check clearinghouses electronically. There is some concern that this effort will lead to complete ownership and control by the Fed of a nationwide electronic fund transfers system.

With that in mind, Thomas J. Houser, director of the Office of Telecommunications Policy in the Ford White House, told the American Bankers Association recently that he thought the private sector could provide electronic fund transfers services reliably, securely, and at lower cost than the Fed can.

Farm Income: Holding Steady

Farm income will remain at approximately the same level in 1977 for the third year in a row, but farm assets will increase, the Agriculture Department predicts.

In 1975, farm income totaled \$22.7 billion. The 1976 figure is not yet available, but it is not expected to be significantly larger or smaller. The 1975-76 income level is "relatively favorable," the Agriculture Department says.

The value of farm assets is estimated to have reached \$634 billion at the end of 1976, a gain of \$49 billion. In 1975, the gain was \$65 billion. A lower rate of increase in land values and a decline in livestock inventories are cited as causes of the less-rapid growth in assets. No significant increase in the assets growth rate is seen for this year.

Farmland values rose an estimated nine percent in 1976 compared to 14 percent in 1975. This year, the rise is expected to be about seven percent.

Agriculture Department economists predict farm debt will rise about as much in 1977 as it did last year. The 1976 increase is estimated at \$11 billion. Total farm debt now is estimated at \$102 billion. □

Government Action and Sound Economic Growth

AS THE NEW President takes office at noon on the 20th of this month, you can expect a great number of public policy decisions to occupy the time and minds of the new leadership in Washington.

Whatever decisions are to be approved by Congress and the White House, you may be sure that all business will be affected—you, your employees, your customers, the companies you sell to or buy from.

It will be helpful to you, therefore, to have some idea of what to watch for.

Here are two tips:

- First, keep an eye on the unemployment rate. Eight is the number to watch. The rate is now above eight percent. Unless the rate goes significantly below that level soon, you can expect mounting pressure on the government to take fast-action steps to reverse the trend.

- Keep an eye on the overall economic growth rate. Four is the number to watch. The rate is now below four percent. The best economic minds in Washington think that the rate during 1977 will range around four to five percent. If the rate is below four percent, look for pressure on the government for corrective action.

The government has many options for

stimulating growth. One is an income tax cut. Another is an income tax rebate.

A reduction in business taxes is also an option. This could be in the form of a change in the corporate tax rate, or an improvement in depreciation allowances, or a higher investment tax credit.

Other forms of stimulus would work more slowly—accelerated public works programs, for example—and would lead to bigger government spending and larger deficits, more inflation, and more headaches for business.

As a business leader in your community, look ahead, plan ahead. Let your elected officials know about your plans. Share with them your views on current national issues and proposals that will affect your business, and share the reasons for your views.

Keep in mind that the healthiest kind of growth comes from a permanent increase in national productivity.

Jobs artificially created by government in make-work programs provide no basis for lasting prosperity.

Only jobs producing goods or services for which there is a genuine demand provide the basis for sound economic growth. □



The newest Bonneville since Wide-Track!

Not long ago, a new kind of automobile came blazing out of the future to set your heart on fire. Who can forget the first Wide-Track Bonneville?

We haven't. And we've done it all over again. With the most completely redesigned full-sized cars in Pontiac history.

The 1977 Bonneville is trimmer on the

outside. Yet there's more headroom, more rear legroom and more trunk space than last year.

To keep our reputation for responsiveness glowing, we came up with a brand-new 5.0-litre (301-CID) V-8.* Designed by the Wide-Track people to move Bonneville the way Bonneville should move.

No less remarkable is our main-

tenance-free battery. Our two new diagnostic connectors that make it possible for your dealer to analyze the electrical system. And the most corrosion-resistant body and chassis materials in Pontiac history.

That's quality. Enough to make sure the newest Bonneville since Wide-Track will set your heart on fire now and on into the '80s.

*5.7 Litre (350 CID) V-8 mandatory base engine in California and high altitude counties.



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THE MARK OF GREAT CARS



Join the waste watchers and make the most of every inch of paper you buy.

The inches add up.

Fort Howard has a lot of ways to help you get the most out of every inch of paper you buy.

Take our larger-roll tissue and towels. They have to be changed less often. So you throw away fewer stub roll leftovers—and waste less paper.

We've all but eliminated leftovers in our Commander I® cabinet. It uses almost every inch of paper on one roll before it starts on the next.



Put the inches where they count.

We put 12% more hand-dries into our largest roll towel. We simply added 75 feet to our 625-foot roll towel. So you get all the extra hand-dries of a longer-roll towel service.

Be a waste watcher.

Your local Fort Howard distributor can show you how to be a waste watcher. Call him today. Before another inch slips away.



Fort Howard Paper

Green Bay, Wisconsin 54305

The Waste Watchers.